Annual Report 2012

Capturing Balanced Growth and Synergies

TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.

About Taisho Pharmaceutical Holdings

The Taisho Pharmaceutical Group transitioned to a holding company structure following the incorporation in October 2011 of Taisho Pharmaceutical Holdings Co., Ltd. Furthermore, 2012 marks a major milestone in the Taisho Pharmaceutical Group's history, as Taisho Pharmaceutical Co., Ltd. will celebrate its founding centenary in October 2012.

Under the new holding company structure, we aim to realize balanced growth in both the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group and to generate synergies in these two segments, thereby maximizing the corporate value of the Taisho Pharmaceutical Group.

1912
Taisho Seiyakusho was founded.

Premises when the company was founded

1927
Cough suppressant *Pabron* was launched.

1955
Eagle trademark was adopted.

1957
The psoriasis treatment *Psorion No.1*, the Company's first prescription pharmaceutical product, was launched.

1962
Energy drink *Lipovitan D* was launched.

Contents

<Reference>

The consolidated financial statements for the year ending March 2012 have been prepared by incorporating the consolidated financial statements of Taisho Pharmaceutical Co., Ltd., which became a wholly owned subsidiary of Taisho Pharmaceutical Holdings Co., Ltd. through a sole-share transfer on October 3, 2011. Figures for the fiscal year ended March 2011 and earlier are for Taisho Pharmaceutical Co., Ltd.

1963

Omiya Factory was constructed.

Taisho's shares were listed on Second Section of the Tokyo Stock Exchange

Lipovitan D was launched in Taiwan.

* Current packaging shown.

1965

Lipovitan D was launched in Thailand.

* Current packaging shown.

1966

Taisho's shares were listed on First Section of the Tokyo Stock Exchange.

1978

Gastrointestinal treatment *Taisho Kampo Ichoyaku* was launched.

1988

Peripheral vasodilator *Palux* was launched.

* Current packaging shown.

1991

Macrolide antibiotic agent *Clarith* was launched.

* Current packaging shown.

Philosophy

Mission Statement (Mission)

The Company's mission is to contribute to society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people's lives by improving health and beauty.

Management Policies (Vision)

1. Focus on core businesses

(1) Self-Medication Operation Group, Prescription Pharmaceutical Operation Group

(2) Businesses based on clear scientific and objective evidence that take full advantage of the Company's strengths

2. Continue to drive sustained growth in business activities while fulfilling the following obligations expected of the Company by stakeholders:

(1) For consumers, the Company will strive to help realize healthier and more enriched lives based on the theme of health in various fields.

(2) For business customers and suppliers, the Company will establish and maintain fair and reasonable relationships.

(3) For employees, the Company will respect the human rights and dignity of each individual and endeavor to secure employment.

(4) For shareholders and other investors, the Company will disclose proper information in a fair and timely manner.

(5) For local communities, the Company will remain actively engaged in the community as a corporate citizen while striving to protect the environment and build mutually beneficial relationships.

Code of Conduct (Values)

Based on the Company's Founding Spirit, the Company is working to share the following values internally as it conducts business activities:

- Compliance with laws, regulations and other rules
- High ethical standards
- Honesty, diligence, passion
- Competitive viewpoint (Provide higher quality products at lower prices, and even better services)
- Logical thinking
- Value standards from a long-term perspective

1997

Taisho Pharmaceutical took over the *Colac* business in Japan from the Procter & Gamble Group.

* Current packaging shown.

1999

Hair regrowth treatment *RiUP* was launched.

* Current packaging shown.

2002

Taisho Pharmaceutical took over the *VICKS Medicated Drops* business in Japan from Procter & Gamble of the U.S.

* Current packaging shown.

Taisho Pharmaceutical announced a capital and business alliance with Toyama Chemical Co., Ltd.

Taisho Toyama Pharmaceutical Co., Ltd. was established.

2003

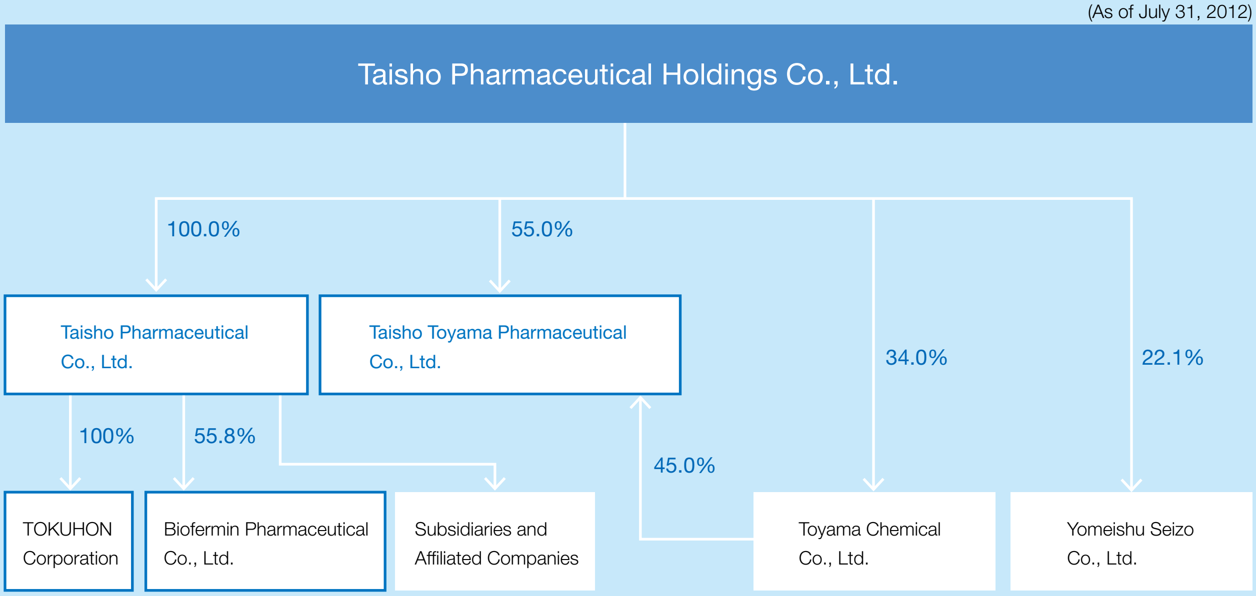
Livita, a comprehensive food product brand centered on Foods for Specified Health Use, was unveiled.

2005

Taisho Pharmaceutical announced a business and capital alliance with Yomeishu Seizo Co., Ltd.

Group Business Structure (figures represent shareholding ratios)

(As of July 31, 2012)



2008

Biofermin Pharmaceutical Co., Ltd. became a consolidated subsidiary of Taisho Pharmaceutical.

BIOFERMIN

Taisho Pharmaceutical announced a business and capital alliance with FUJIFILM Holdings Corporation and Toyama Chemical Co., Ltd.

Antibiotic agent *ZOSYN* was launched.

* Current packaging shown.

2009

Taisho Pharmaceutical acquired the Asian OTC drug business of U.S.-based Bristol-Myers Squibb Company (BMS).

* Current packaging shown.

2011

Taisho Pharmaceutical fully acquired Hoepharma Holdings Sdn. Bhd. (HOE) in Malaysia.

Taisho Pharmaceutical Holdings Co., Ltd was incorporated.

2012

Integration in Thailand of the OTC drug businesses of Taisho Pharmaceutical and Osotspa.

TOKUHON Corporation became a wholly owned subsidiary of Taisho Pharmaceutical.

TOKUHON

Taisho Pharmaceutical acquired all shares of a Mexican pharmaceutical company group (4 companies including CICSA)

Taisho Pharmaceutical marks its 100th anniversary of founding.

Financial Highlights

(Fiscal Years)

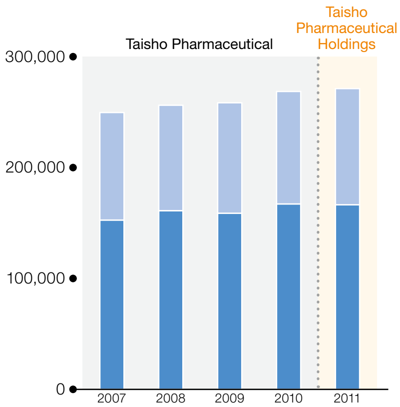
	Taisho Pharmaceutical				Taisho Pharmaceutical Holdings
	Millions of yen				
	2007	2008	2009	2010	2011
For the year:					
Net sales	¥ 249,656	¥ 256,214	¥ 258,442	¥ 268,632	**¥ 271,231**
Self-Medication Operation Group	152,678	161,141	158,851	167,195	**166,467**
Prescription Pharmaceutical Operation Group	96,977	95,072	99,590	101,437	**104,763**
Cost of sales	85,168	86,752	91,739	96,395	**98,984**
Gross profit	164,488	169,462	166,703	172,237	**172,246**
Selling, general and administrative expenses	127,536	131,527	132,017	128,155	**133,833**
Operating income	36,952	37,936	34,686	44,082	**38,413**
Self-Medication Operation Group	26,170	29,227	30,458	38,385	**35,565**
Prescription Pharmaceutical Operation Group	10,781	8,707	4,227	5,696	**3,557**
Net income	25,004	8,815	19,485	34,893	**24,358**
R&D expenditures	24,725	27,524	28,118	23,678	**24,231**
R&D expenditures as a percentage of net sales (%)	9.9	10.7	10.9	8.8	**8.9**
Total capital expenditures*	6,278	6,330	21,526	8,418	**12,868**
Net cash provided by operating activities	50,746	35,783	39,475	46,494	**23,733**
Net cash used in (provided by) investing activities	(35,064)	(12,531)	11,245	(793)	**(39,349)**
Net cash used in financing activities	(11,431)	(29,430)	(18,838)	(18,378)	**(23,074)**
Free cash flows	15,682	23,252	50,720	45,701	**(15,616)**
At year-end:					
Total assets	¥ 627,224	¥ 591,569	¥ 606,443	¥ 618,434	**¥ 629,506**
Current assets	249,463	215,873	215,687	233,171	**234,782**
Current liabilities	55,643	54,130	55,680	59,860	**63,307**
Working capital	193,820	161,743	160,007	173,311	**171,476**
Net assets**	548,650	514,511	527,761	535,231	**538,667**
Per share data:					
Net assets (yen)	¥1,816.25	¥1,745.96	¥1,816.68	¥1,902.74	**¥6,560.67**
Net income (yen)	84.01	30.01	67.98	124.90	**296.20**
Ratio data:					
Asset turnover (times)	0.4	0.4	0.4	0.4	**0.4**
Tangible fixed assets turnover (times)	2.6	2.8	2.8	3.0	**3.0**
Operating income margin (%)	14.8	14.8	13.4	16.4	**14.2**
Equity ratio (%)	86.1	85.4	85.3	84.8	**83.8**
Return on equity—ROE (%)	4.6	1.7	3.8	6.7	**4.6**
Return on assets—ROA (%)	4.0	1.4	3.3	5.7	**3.9**

* Total capital expenditures related to production and research.

** The data previously presented as "Shareholders' equity" are shown as "Net assets" based on the new accounting standard for presentation of net assets applied from the fiscal year ended March 31, 2007.

Net Sales

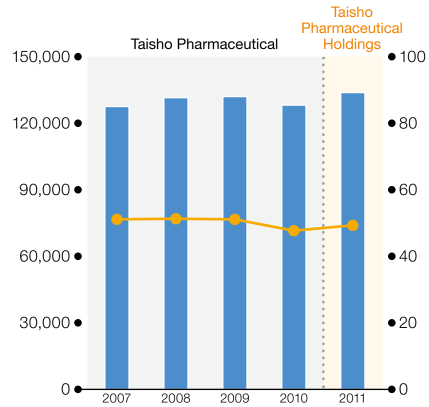
(Millions of yen)



Prescription Pharmaceutical Operation Group
Self-Medication Operation Group

Selling, General and Administrative Expenses / SG&A Expenses Margin

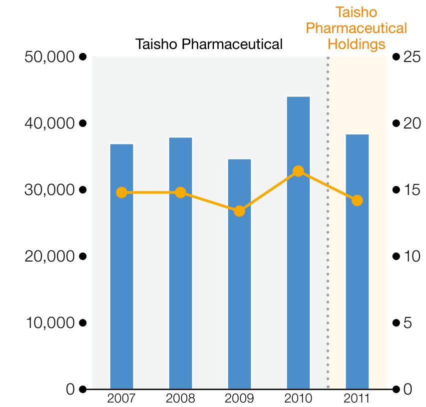
(Millions of yen) (%)



Selling, general and administrative expenses (left scale)
SG&A expenses margin (right scale)

Operating Income / Operating Income Margin

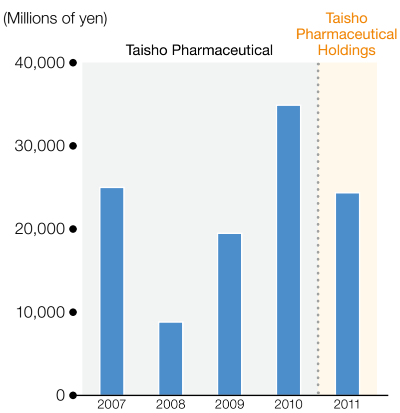
(Millions of yen) (%)



Operating income (left scale)
Operating income margin (right scale)

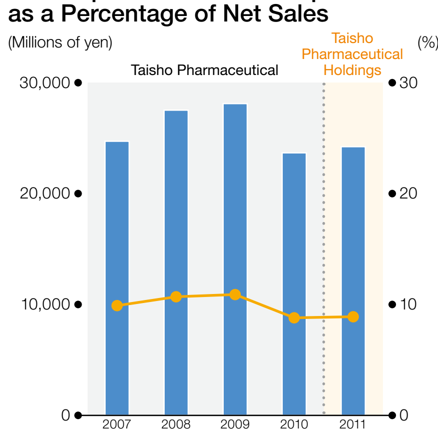
Net Income

(Millions of yen)



R&D Expenditures / R&D Expenditures as a Percentage of Net Sales

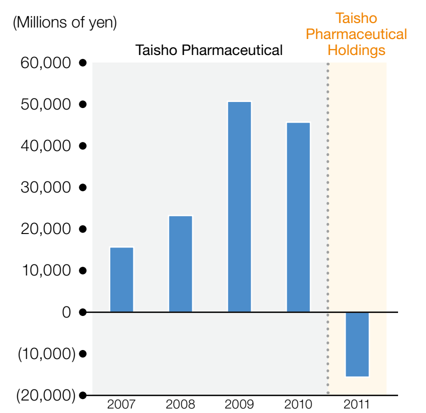
(Millions of yen) (%)



R&D expenditures (left scale)
R&D expenditures as a percentage of net sales (right scale)

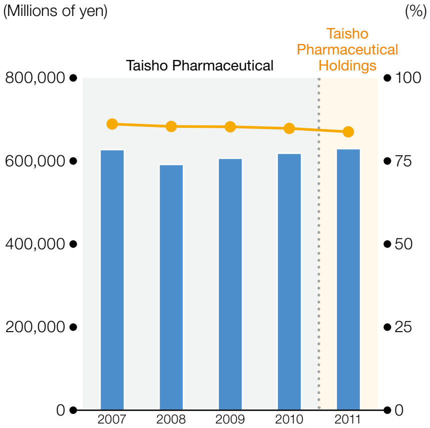
Free Cash Flows

(Millions of yen)



Total Assets / Equity Ratio

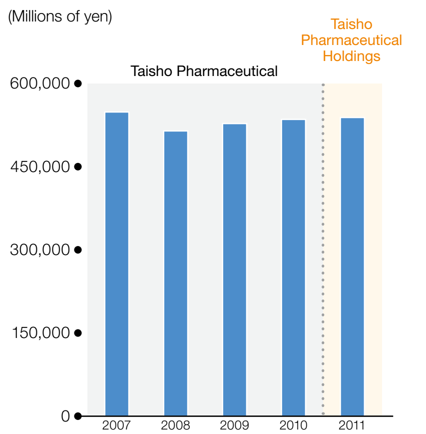
(Millions of yen) (%)



Total assets (left scale)
Equity ratio (right scale)

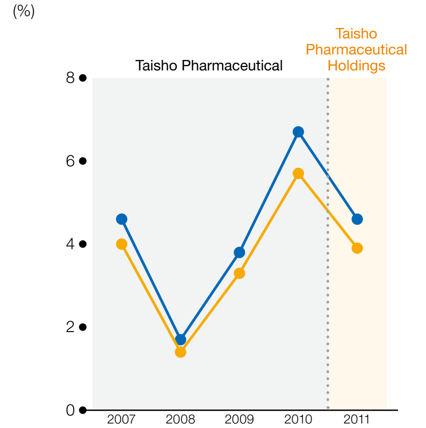
Net Assets

(Millions of yen)



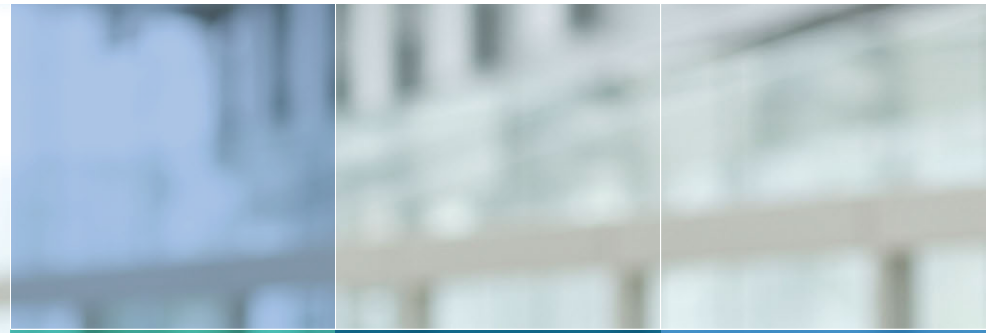
ROE / ROA

(%)



Return on equity—ROE
Return on assets—ROA

Fellow Stakeholders



Under a new holding company structure, the Taisho Pharmaceutical Group will help consumers to lead even healthier and more fulfilling lives.

First and foremost, I would like to express my heartfelt sympathy for everybody affected by the Great East Japan Earthquake, along with my wishes for a speedy recovery of the affected regions.

2012 marks a major milestone in the Taisho Pharmaceutical Group's history, as Taisho Pharmaceutical Co., Ltd. (hereinafter, "Taisho Pharmaceutical") will celebrate its founding centenary in October 2012. Under the new holding company structure initiated in October 2011, we aim to realize balanced growth in both the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group while generating synergies in these two segments, thereby maximizing the corporate value of the Taisho Pharmaceutical Group.

I would like to take this opportunity to provide an overview of the consolidated performance of Taisho Pharmaceutical Holdings Co., Ltd. (hereinafter, "the Company") for fiscal 2011,* the fiscal year ended March 31, 2012.

Fiscal 2011 Business Overview

The Self-Medication Operation Group's overall business results were mostly on par with its targets, supported by steady growth in the *Livita* series centered on Foods for Specified Health Use (FOSHU) and the overseas OTC drug business. This growth was tempered by lower sales of the core *Lipovitan* series of energy drinks and the *RiUP* series of hair regrowth treatments.

The Prescription Pharmaceutical Operation Group posted higher sales mainly atop higher-than-projected sales of antibacterial agents such as the beta-lactamase inhibitor-penicillin combinations *ZOSYN* and the new quinolone antibacterial agent *OZEX*. Buoyed by the contribution to sales of the osteoporosis agent *EDIROL*, which was launched April 2011, consolidated subsidiary Taisho Toyama Pharmaceutical Co., Ltd. (hereinafter, "Taisho Toyama Pharmaceutical") achieved record net sales for the third straight year.

As a result of the foregoing, consolidated net sales rose 1.0% from fiscal 2010 to ¥271.2 billion.

On the earnings front, selling, general and administrative expenses increased year on year, reflecting higher sales promotion, advertising, R&D and other expenses. Consequently, operating income decreased 12.9% to ¥38.4 billion. Also, the Company booked a ¥3.7 billion devaluation loss on investment securities as an extraordinary loss. As a result, net income decreased 30.2% year on year to ¥24.4 billion.

Returns to Shareholders

The Company's basic policy on returning profits to shareholders it to maintain a stable dividend, while ensuring sufficient internal reserves to build a stronger enterprise. The Company also plans to flexibly conduct stock buybacks for the purpose of improving capital efficiency and implementing agile financial policies. In fiscal 2011, the Company acquired 2,339,900 own shares worth ¥14,984,551,000 as approved by the Board of Directors at a meeting held on November 28, 2011.

The Company's dividend policy is to pay dividends largely in line with its consolidated business performance each fiscal year, while targeting a dividend payout ratio of 30% of consolidated net income excluding extraordinary income and loss. The Company plans to maintain an annual dividend of at least ¥90 per share, barring special circumstances, even when the dividend payout ratio exceeds 30%. With due consideration given to this policy, the Company declared an annual dividend of ¥90 per share, consisting of an interim dividend of ¥40 and a year-end dividend of ¥50. In fiscal 2012, the Company plans to issue an annual dividend of ¥120 per share, consisting of an interim dividend of ¥60 and a year-end dividend of ¥60, to commemorate Taisho Pharmaceutical's founding centenary.

Direction of Taisho Pharmaceutical Group-Beyond Its Founding Centennial

In Japan, burgeoning social security costs accompanying the aging of society and low birthrate have become a major issue. In this context, the business environment surrounding the Taisho Pharmaceutical Group has undergone profound changes. The OTC drug market has been contracting year by year, while the prescription pharmaceutical market has been affected by NHI drug price revisions designed to optimize medical costs. Furthermore, new drug development has become increasingly difficult. To stay on top of these changes in the environment and answer consumer needs, the Taisho Pharmaceutical Group is actively taking steps to address various issues. In the domestic self-medication business, the Group will work to develop and market products that address Japan's aging society, along with lifestyle-related diseases. In the prescription pharmaceutical business, the Group will conduct business activities focused on priority fields, from R&D to sales. Overseas, the Group will strengthen the OTC drug business in growing markets centered on Southeast Asia. Under the new holding company structure launched in October 2011, we will strive to effectively allocate its business resources and boost its competitiveness, with the view to increasing the corporate value of the Group as a whole.

In 2012, Taisho Pharmaceutical marks its founding centenary. In addition, 2012 marks the 50th anniversary of the launch of *Lipovitan D* and the 10th founding anniversary of Taisho Toyama Pharmaceutical. We therefore see 2012 as a key milestone year. Looking ahead, the Taisho Pharmaceutical Group will make a concerted effort to achieve further strides in its next century in business, with the aim of continuing to help consumers lead healthier and more fulfilling lives.

I would like to express our sincere thanks to you, our fellow shareholders, in hope of your continued understanding and support.

Akira Uehara
Chairman and CEO

* Taisho Pharmaceutical Holdings Co., Ltd. was incorporated on October 3, 2011 as the wholly owning parent company of Taisho Pharmaceutical Co., Ltd. through a sole-share transfer. Therefore, the Company's first fiscal year covered the period from October 3, 2011 to March 31, 2012. However, the consolidated financial statements of Taisho Pharmaceutical Holdings Co., Ltd. have been prepared by incorporating the consolidated financial statements of Taisho Pharmaceutical Co., Ltd. For that reason, the Company's first fiscal year extends from April 1, 2011 to March 31, 2012. Furthermore, there was no effective change in the scope of consolidation because the method of shareholder transfer was a sole-share transfer. Accordingly, the Company has provided year-on-year comparisons with the business results of Taisho Pharmaceutical Co., Ltd. for fiscal 2010, the year ended March 31, 2011, for reference.

At a Glance

We aim to be a pharmaceutical company group that comprehensively covers all fields, ranging from health enhancement to disease prevention and treatment, with the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group as our two core businesses.

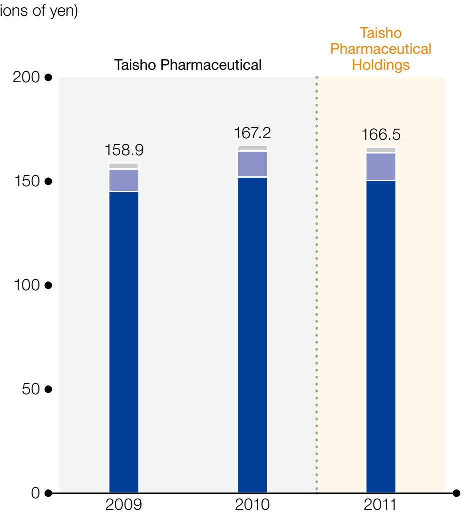
Self-Medication
Operation Group

The Self-Medication Operation Group has many leading brands, such as the *Lipovitan* series of energy drinks, the *Pabron* series of cold remedies, and the *RiUP* series of hair regrowth treatments. In these fields, the Self-Medication Operation Group is a leader in the Japanese market.

61.3%

Net Sales (Fiscal years)

(Billions of yen)



OTC drugs, etc. FOSHU*, etc. Others

* FOSHU: Foods for Specified Health Use

Net Sales of Main Products, Others (Fiscal year)

(Billions of yen)

	2011
OTC drugs, etc.	150.4
Lipovitan series	69.3
Pabron series	25.8
RiUP series	14.2
Overseas OTC drugs	5.9
FOSHU*, etc.	13.3
Livita series	4.0
Overseas energy drinks	6.4
Others	2.7

Sales Composition Fiscal 2011 **¥271.2 billion**

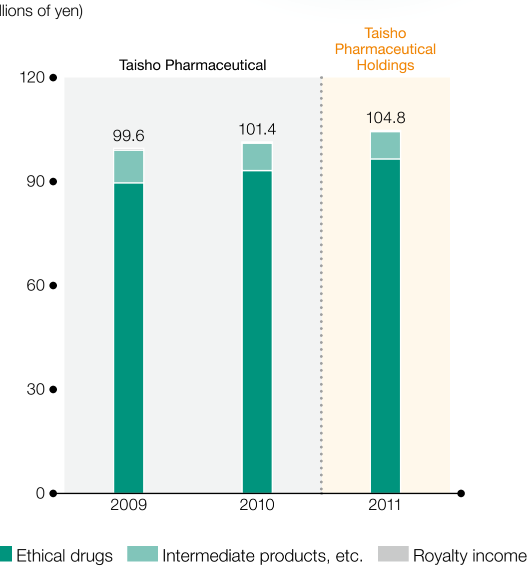
Prescription Pharmaceutical
Operation Group

38.6%

The Prescription Pharmaceutical Operation Group is pressing ahead with R&D activities focused on priority fields. At the same time, Taisho Toyama Pharmaceutical, a joint venture with Toyama Chemical Co., Ltd., is conducting sales and marketing activities centered on the fields of infectious diseases and inflammatory/immunologic diseases.

Net Sales (Fiscal years)

(Billions of yen)



Net Sales of Main Products, Others (Fiscal year)

(Billions of yen)

	2011
Ethical drugs	96.5
Clarith	21.6
ZOSYN	17.6
Palux	9.4
OZEX	6.1
Geninax	6.1
Intermediate products, etc.	7.9
Royalty income	0.3

Self-Medication Operation Group

Market Trends and Company Policy

The Japanese OTC drug market has continuously contracted after peaking out in 2001. However, consumer awareness of self-medication has been increasing over the years.

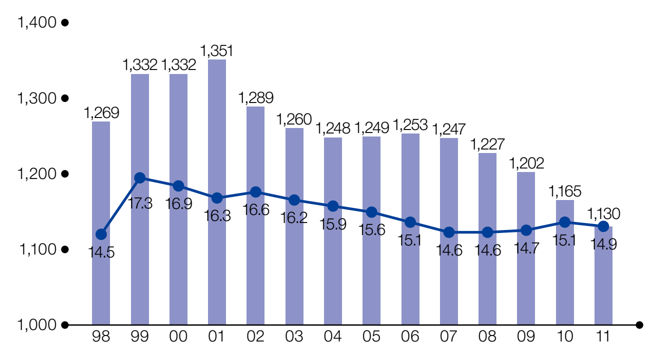
Ever since the Food with Health Claims system was launched in 2001, people have begun to utilize functional foods such as Foods for Specified Health Use (FOSHU) for the purpose of preventing the onset of disease. In this context, however, the reality is that consumers generally believe that although health foods can be used to prevent disease, medical treatment must be sought at a hospital or clinic in the event of illness. Some surveys have also shown that there is a lack of awareness regarding the use of OTC drugs among consumers.

As Japan's health insurance finances have been squeezed as its society ages, self-medication has taken on growing importance year by year. Taisho Pharmaceutical believes that OTC drugs have a major role to play in the practice of self-medication. Notably, our view is that if OTC drugs could be used by consumers to perform self-health checkups and to treat the initial stages of lifestyle-related diseases, this will extend people's healthy life spans, while making a sizable contribution to curtailing healthcare expenditures.

Taisho Pharmaceutical currently provides FOSHU products as a means of addressing Japan's aging society and the onset of lifestyle-related diseases. At the same time, we are also taking a variety of product development initiatives in the OTC drug field. Leveraging our track record in applying prescription drug ingredients to OTC drugs, as well as the product development and information providing/gathering abilities we have amassed over the years, we intend to develop and supply new OTC drugs that answer the diversifying needs of consumers.

Domestic OTC Drugs Market* (Fiscal years)
(Taisho's estimates based on INTAGE SDI/SRI data)

(Billions of yen)



Market size — Taisho's share (%)

Source: INTAGE Inc.

* Including quasi-drug energy drinks and mini-drinks sold through drug-oriented channels.

Activities by the Self-Medication Operation Group

1. Activities Centered on Three Main Brands

The Self-Medication Operation Group's three main brands are the *Lipovitan* series, *Pabron* series and *RiUP* series. These brands are the core drivers of the Company's earnings.

Lipovitan D, the core product of the *Lipovitan* series, marks its 50th anniversary of launch in 2012. We would like to take this opportunity to express our appreciation to customers who have enjoyed this drink over many years. At the same time, looking ahead to the future, we intend to conduct various activities designed to encourage even more people to enjoy the *Lipovitan* series of energy drinks. These activities will address diversifying consumer needs and changes in purchasing patterns.

Main products in the *Lipovitan* series

Logo mark announces the 50th anniversary of the launch of *Lipovitan D*.

One example of our activities has been the marketing of *Lipovitan Fine*, a sugar-free, low-calorie energy drink catering to female customers, who have been increasing over the years. Since its launch in 2005, *Lipovitan Fine* has sold briskly, supported by strong acceptance by female customers. In other areas, we have expanded our sales channels to address consumer preferences for purchasing and consuming energy drinks at their convenience, conducted sampling events, and are using the Internet to enhance communication with consumers. Please see the column below to read details about our activities since 2012.

In the *Pabron* series, Taisho Pharmaceutical offers a broad range of products ranging from cold remedies, sinus treatments, and the important cold-prevention products of gargles, hand-washing treatments and face-masks. We will continue working to enhance the value of the *Pabron* series as a well-established consumer brand.

In the *RiUP* series, Taisho Pharmaceutical will focus on winning new users for this series and providing information for continued usage, with efforts centered on the core *RiUP X5* hair-regrowth treatment launched in 2009. Furthermore, in 2011, we launched *RiUP Regenne* for women. We will strive to increase brand penetration among female customers by meeting their needs while communicating with these users in various ways.

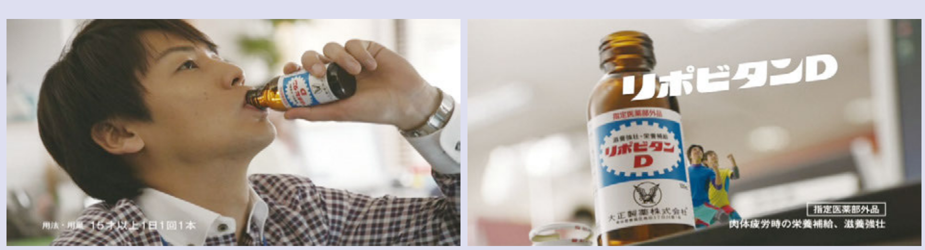
Main products in the *Pabron* series
Sinus treatments (left) and cold remedies (right)

Main products in the *RiUP* series

Column

Taisho has created a Facebook page for *Lipovitan D* to communicate a variety of information.

2012 marks the 50th anniversary of the launch of *Lipovitan D*. Taisho Pharmaceutical is taking new steps to promote this energy drink among younger consumers, with the aim of driving further expansion in the user base going forward. Taisho Pharmaceutical is running commercials that show how *Lipovitan D* is used in various settings in daily life, such as young people drinking *Lipovitan D* as they go about working hard to accomplish their daily routines, on train channels on certain commuter train routes in the Tokyo metropolitan area and on YouTube. We have also created a Facebook page for *Lipovitan D*. We use this Facebook page to communicate a variety of information related to *Lipovitan D*, such as event and trivia information.



Taisho Pharmaceutical is taking new steps to reach younger consumers, introducing the product by showing usage in various settings in daily life, on train channels and on YouTube.

2. Addressing Japan's Aging Society: Expanding the *Livita* Series

In recent years, sales of the *Livita* series have continued to post double-digit annual growth. The *Livita* series, which is centered on Foods for Specified Health Use (FOSHU), is one example that illustrates how the Company is working to address Japan's aging society.

As the aging of society continues apace, Japan is now facing increasingly serious issues such as fiscal problems associated with the social security system, particularly health insurance. In this context, the Company believes that the promotion of self-medication can play a part in optimizing national healthcare expenditures, and has actively developed the self-medication field over the years. Furthermore, besides addressing fiscal problems, measures to prevent lifestyle-related diseases, one of today's major issues, are essential to ensuring that consumers lead healthy and more fulfilling lives.

Among the *Livita* series product lineup, *Glucocare*, *Naturalcare*, and *Cholescare* are products that address blood sugar, blood pressure, and cholesterol levels, respectively. Taisho Pharmaceutical has posted expanding sales of these products, centered on powder-type products. In addition, in July 2012, Taisho Pharmaceutical launched two new FOSHU products, namely *Fatcare*, which fights body fat, and *Middlecare*, which counters triglycerides. Going forward, Taisho Pharmaceutical will continue to upgrade and expand its product lineups, as it seeks to supply useful products for implementing self-medication in people's daily lives.

Main products in the *Livita* series
From front row left: *Cholescare*, *Glucocare*, and *Naturalcare*

In July 2012, Taisho Pharmaceutical launched two new *Livita* brand products: *Fatcare* and *Middlecare*.

3. Overseas OTC Drug Business: Driving Business Expansion in Growing Markets

In 2009, Taisho Pharmaceutical acquired the Asian OTC drug business of Bristol-Myers Squibb Company (BMS). Ever since, Taisho Pharmaceutical has been developing the overseas OTC drug business on a full scale. The business has steadily expanded as a result. In the fiscal year ending March 31, 2013, Taisho Pharmaceutical is achieving steady growth in OTC drug sales in overseas markets. In addition, Hoepharma Holdings Sdn. Bhd. (HOE), which was acquired in the fiscal year ended March 31, 2012, will begin contributing to business results on a full-year basis in the fiscal year ending March 31, 2013. For this and other reasons, Taisho Pharmaceutical is forecasting continued earnings growth in the overseas OTC drug business.

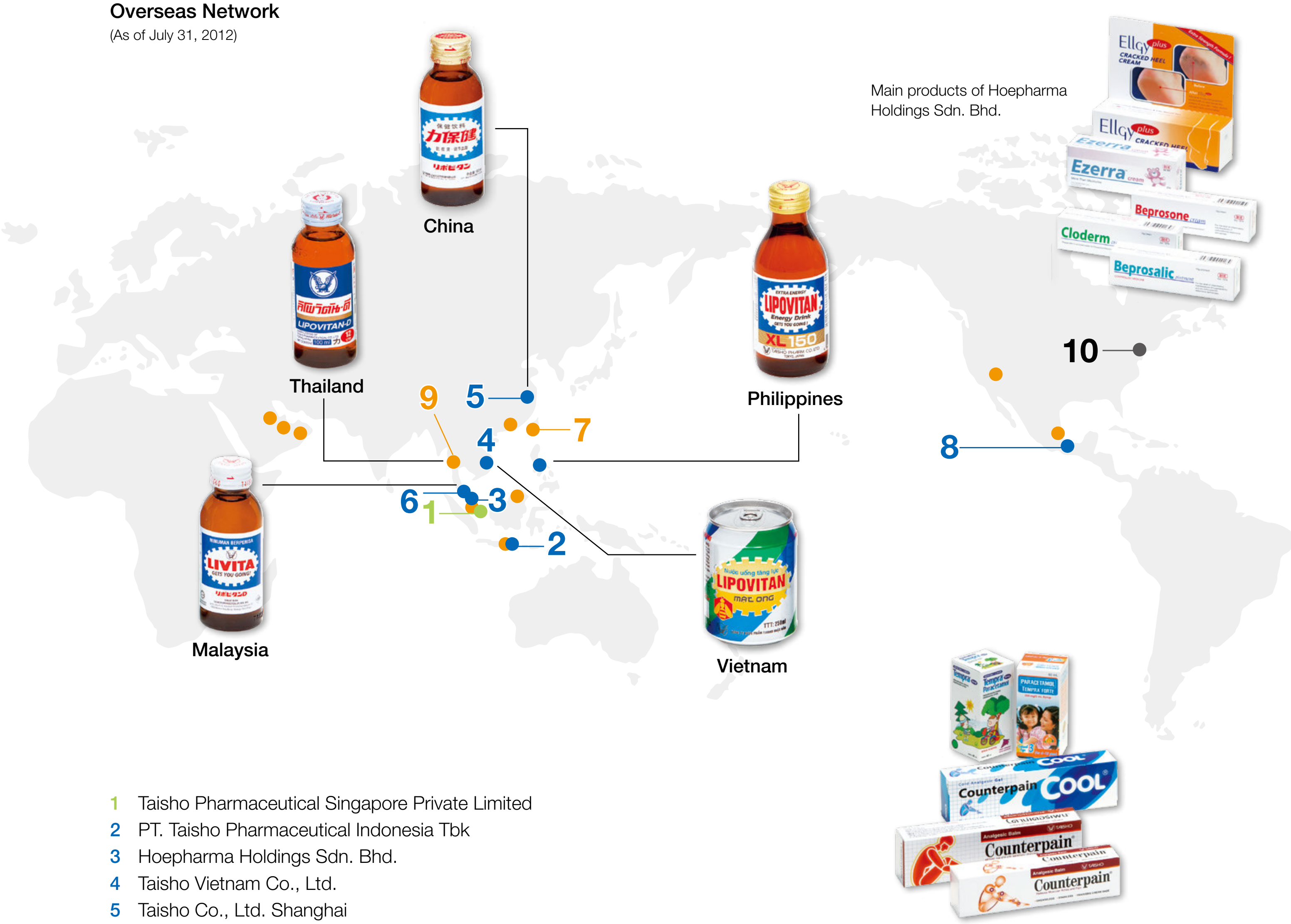
In Thailand, Taisho Pharmaceutical has long conducted business revolving around energy drinks. In March 2012, we agreed with Osotspa Co., Ltd., a local business partner, on the integration of the Taisho Pharmaceutical Group's OTC drug business and that of Osotspa under a joint venture of the two companies. Taisho Pharmaceutical also decided to increase its shareholding in the joint venture.

The joint venture has been renamed Osotspa Taisho Pharmaceutical Co., Ltd., with plans to commence in the fiscal year ending March 31, 2013.

In another development, in July 2012, we acquired 100.0% of the shares of a group of 4 leading local pharmaceutical companies in Mexico with several highly recognized brands, including Compañía Internacional de Comercio, S.A.P.I. de C.V. (“CICSA”). Taisho Pharmaceutical has been developing the overseas OTC drug business with the aim of expanding business in regions with high growth potential centered on Southeast Asia. However, Mexico is another promising market where population growth and economic expansion are anticipated. For this reason, Taisho Pharmaceutical expects this acquisition to contribute positively to future business expansion and earnings.

Against the backdrop of economic growth in various countries, Taisho Pharmaceutical aims to continue achieving steady growth in the overseas OTC drug business by developing business according to local needs.

Overseas Network
(As of July 31, 2012)



Main products of the portion from Bristol-Myers Squibb Company

1 Taisho Pharmaceutical Singapore Private Limited
2 PT. Taisho Pharmaceutical Indonesia Tbk
3 Hoepharma Holdings Sdn. Bhd.
4 Taisho Vietnam Co., Ltd.
5 Taisho Co., Ltd. Shanghai
6 Taisho Pharmaceutical (M) SDN. BHD.
7 Taisho Pharmaceutical (Taiwan) Co., Ltd.
8 Compañía Internacional de Comercio, S.A.P.I. de C.V.
9 Osotspa Taisho Co., Ltd.
10 Taisho Pharmaceutical R&D Inc.

● Manufacturing and sales
● Sales
● R&D subsidiary
● Managing OTC business in Asian market

Prescription Pharmaceutical Operation Group

Market Trends and Company Policy

Japan has experienced a continuous increase in national healthcare expenditures due to the aging of society. The market for prescription pharmaceuticals, centered on treatments for lifestyle-related diseases, has also expanded year after year. Against this backdrop, the Japanese government has implemented various policies to optimize national healthcare expenditures. Efforts have been made to promote increased penetration of these policies in the market for prescription pharmaceuticals.

Notably, Japan has implemented reforms of the NHI drug price system. These reforms have included the trial implementation of premiums for promoting the creation of new drugs and the elimination of off-label drug use*. Meanwhile, long-term proprietary drugs (proprietary drugs (brand-name drugs) for which there are generic alternatives) are now subject to additional NHI drug price reductions on top of the ordinary revisions to NHI drug prices. These trends show that manufacturers of new drugs are being increasingly called upon to continuously discover and develop innovative new drugs.

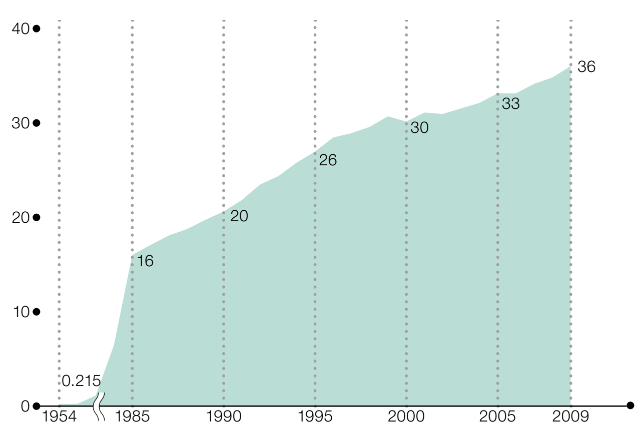
Moreover, new drug discovery and development has become increasingly difficult due to more stringent approval and screening standards worldwide. As a result, the business environment has become ever more challenging.

In order to expand business as a manufacturer of new drugs, Taisho Pharmaceutical formed a capital and business alliance with Toyama Chemical Co., Ltd. in 2002. Through a joint investment, the two companies then established Taisho Toyama Pharmaceutical as a sales company. This measure has enabled us to obtain a sales and marketing network spanning medical professionals across Japan. It also provides a framework for continuously launching new drugs through the supply from the two parent companies and rapidly maximizing sales in the market. Taisho Toyama Pharmaceutical has positioned the infectious disease field and the inflammatory and immunologic disease field as its two priority fields. Taisho Pharmaceutical and Toyama Chemical excel in these two fields, and Taisho Toyama Pharmaceutical has concentrated the allocation of management resources in both fields. This strategy has started to produce results. For example, Taisho Toyama Pharmaceutical has become the leading company in the infectious disease field in Japan. Looking ahead, Taisho Pharmaceutical will continue to increase its presence in these two fields, as it strives to establish both fields as the mainstay businesses of the Prescription Pharmaceutical Operation Group. At the same time, by conducting R&D activities focused on priority fields, the Company will strive to develop new drugs, with the view to nurturing our third and fourth mainstay businesses.

* Premiums for promoting the creation of new drugs and the elimination of off-label drug use
A system to maintain drug prices (premiums) while patents are in force through exemption from NHI drug price reductions (certain conditions apply). This system will enable companies to more rapidly generate the funds needed to cover research and development costs for future new drugs.

Annual changes in national healthcare expenditures

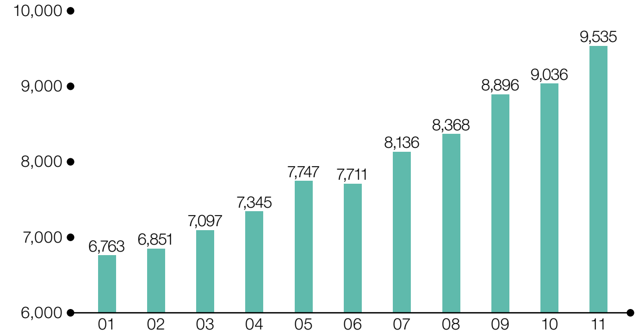
(Trillions of yen)



* Source: Ministry of Health, Labour and Welfare

Annual changes in the market for prescription pharmaceuticals (Fiscal years)

(Billions of yen)



Activities by the Prescription Pharmaceutical Operation Group

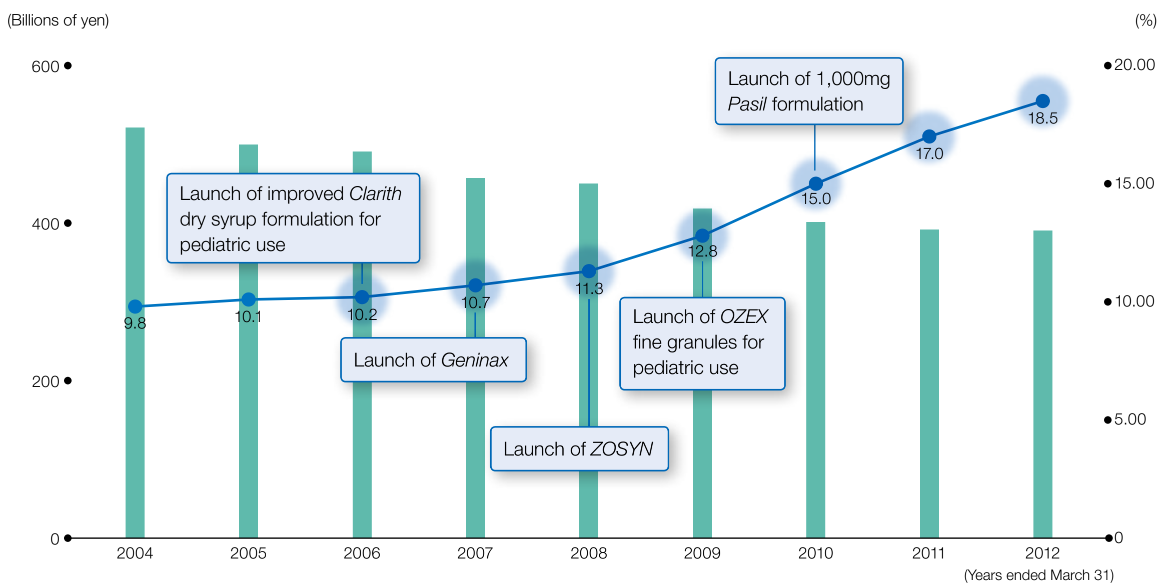
1. Infectious Disease Field: Fulfilling Our Responsibilities as a Leading Company

Since its founding, Taisho Toyama Pharmaceutical has worked to develop a sales and marketing foundation in the infectious disease field, one of its priority fields. Based on this foundation, Taisho Toyama has expanded its market share since the fiscal year ended March 31, 2008 thanks to sales contributions from the launch of new antibacterial products such as *Geninax*, *ZOSYN* and *OZEX* fine granules for pediatric use. In the fiscal year ended March 31, 2010, Taisho Toyama Pharmaceutical captured the top share of the domestic market for antibacterial products.

The market for antibacterial products has been contracting year after year mainly due to reductions in NHI drug prices. In the fiscal year ended March 31, 2012, however, Taisho Toyama Pharmaceutical continued to expand its sales, with its market share reaching an all-time high of 18.5%. Looking ahead, Taisho Toyama Pharmaceutical will continue to fulfill its responsibility as the leading company in the infectious disease field by supplying a broad range of products and providing accurate information to medical professionals. Through these activities, Taisho Toyama Pharmaceutical aims to make an even greater contribution to the treatment of infectious diseases.

Main products in the infectious disease field

Size of the domestic antibacterial agent (J01 antibacterial agent) market* and Taisho Toyama's share



Market size (left scale) Taisho Toyama's share (right scale)

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* Systemic antibacterial agent (J01) market by sales company

2. Inflammatory and Immunologic Disease Field: Nurturing This Field into a Mainstay Business

Another priority field is the inflammatory and immunologic disease field. Here, Taisho Toyama Pharmaceutical launched the osteoporosis agent (an activated vitamin D_3 derivative) *EDIROL* in April 2011. In the first fiscal year after launch, Taisho Toyama Pharmaceutical strove to increase the number of facilities adopting *EDIROL*, in order to have these facilities position the drug as a new option for the treatment of osteoporosis. Having entered the second year of sales in April 2012, *EDIROL* received approval for long-term administration to patients. Accordingly, while strengthening the provision of information and increasing the popularization of *EDIROL* with healthcare professionals, Taisho Toyama Pharmaceutical aims to contribute significantly to enhancing the quality of life (QOL) of patients.

Turning to drugs in the development pipeline of Taisho Pharmaceutical, in July 2012 a new drug application was filed for CT-064 (antiresorptive bisphosphonate) injection, which is being positioned as one more osteoporosis treatment (filed by co-development partner Chugai Pharmaceutical Co., Ltd.). With the number of osteoporosis patients increasing in Japan, Taisho Pharmaceutical is working to deliver new treatment options alongside *EDIROL* to medical professionals and by extension patients as quickly as possible. In other developments, TT-063 (anti-inflammatory analgesic patch formulation containing S-flurbiprofen), which is currently under development as a therapeutic drug for osteoarthritis and other conditions, advanced to Phase 3 clinical trials in the fiscal year ended March 31, 2012. Taisho Pharmaceutical is currently steadily pursuing development of this drug.

In regard to drugs in the development pipeline of Toyama Chemical Co., Ltd., in June 2012, Toyama Chemical obtained approval to manufacture and market the anti-rheumatic agent KOLBET (disease modifying anti-rheumatic drug (DMARD)). Taisho Toyama Pharmaceutical started to market this drug from September. As a result of these sales, we believe that it will be able to provide a new drug treatment option for rheumatoid arthritis, leading to an even greater improvement in the QOL of patients.

These sorts of new products and drugs in the development pipeline are expected to nurture the inflammatory and immunologic disease field into a new mainstay business alongside the infectious disease field, driving the medium-term growth of the Prescription Pharmaceutical Operation Group.

Lecture for medical professionals in commemoration of the 1st anniversary of the launch of *EDIROL*. Held in June 2012, it was jointly organized by Taisho Toyama Pharmaceutical and Chugai Pharmaceutical

Main products in the inflammatory and immunologic disease field

Anti-rheumatic agent KOLBET (launched in September 2012)

3. Status of Research and Development

In R&D in the Prescription Pharmaceutical Operation Group, Taisho Pharmaceutical is putting emphasis on the metabolic and the central nervous system (CNS) fields, which are expected to grow into third and fourth mainstay businesses, in addition to the infectious disease field, which is a priority field of Taisho Toyama Pharmaceutical. In order to achieve its targets for the Prescription Pharmaceutical Operation Group, Taisho Pharmaceutical believes that it is crucial to share goals among the research, development, sales and marketing divisions as these divisions strive to achieve their targets. Therefore, in the prescription pharmaceutical business, the Company will promote the integration of these divisions while conducting R&D activities.

In the fiscal year ended March 31, 2012, Taisho Pharmaceutical commenced Phase 3 clinical trials of TS-071, which is being developed as a treatment of diabetes, and TT-063, which is being developed as a treatment of osteoarthritis and other conditions. Developed in-house, TS-071 is attracting attention as a diabetes drug with a new mechanism of action, namely as a novel sodium-dependent glucose cotransporter 2 (SGLT2) inhibitor. Taisho Pharmaceutical is currently facing intensified competition for the development of similar drugs across the industry. By aggressively allocating its management resources to TS-071 development, Taisho Pharmaceutical is working to launch this promising drug ahead of its competitors.

In the CNS field, Taisho Pharmaceutical is working to develop psychiatric treatments for depression, schizophrenia and other conditions. The CNS field has a large number of unmet medical needs. However, it has been long considered difficult to undertake advanced development in Japan of drugs in this field due to low success rates and difficulties with regard to clinical trial environments. To effectively promote clinical trials of psychiatric treatments, the research and development divisions are working in cooperation to establish a development infrastructure. Looking ahead, we will construct a framework to facilitate development activities that incorporate information acquired both in Japan and overseas. Research and development activities in the CNS field require relatively long time frames, and we will undertake R&D projects in a steady manner.

In July 2012, TOKUHON Corporation became a wholly owned subsidiary of Taisho Pharmaceutical through a share exchange. Currently, Taisho Pharmaceutical is co-developing TT-063 with TOKUHON. Fostering closer collaboration between both companies should lead to greater efficiency and speed in developing TT-063. Going forward, based on discussions between the two companies, Taisho Pharmaceutical aims to further strengthen collaboration on R&D with TOKUHON, including the utilization of various technologies related to patch formulations.

New Drugs Pipeline—Taisho Pharmaceutical

(As of July 31, 2012)

Name	Formulation	Planned application	Development Phase					Development	Originator
			Phase 1	Phase 2	Phase 3	Filed for application	Approved		
CT-064*	Injection	Osteoporosis	▬	▬	▬	▬		Co-development with Chugai Pharmaceutical	Roche
TS-071**	Oral	Type 1 and 2 diabetes	▬	▬	▬			In-house	Taisho
TT-063	Topical	Osteoarthritis, scapulohumeral periarthritis, myalgia and other conditions	▬	▬	▬			Co-development with TOKUHON	TOKUHON
CT-064*	Oral	Osteoporosis	▬	▬				Co-development with Chugai Pharmaceutical	Roche
NT-702	Oral	Asthma	▬	▬				Co-development with Nissan Chemical	Nissan Chemical
		Intermittent claudication caused by ASO***	▬	▬					
Palux	Injection	Intermittent claudication caused by SCS**** (Additional indication)	▬	▬				In-house	Taisho/Mitsubishi Tanabe Pharma

* Generic name: ibandronate sodium hydrate
Chugai Pharmaceutical development code: RG484
** Generic name: luseogliflozin
*** ASO: Arteriosclerosis obliterans
**** SCS: Spinal canal stenosis

Corporate Governance/Corporate Social Responsibility

Corporate Governance

1. Basic Approach

To fulfill its corporate mission, the Taisho Pharmaceutical Group aims to establish even stronger management foundations in line with its management policies to ensure that it continues to achieve steady growth and development amid global competition.

To this end, the Company has positioned the enhancement of corporate governance as a crucial management priority. Accordingly, the Company has established an appropriate Groupwide business management framework for properly monitoring and supervising the status of business and operational execution at the Company and Group companies. Specifically, the Company's basic approach to corporate governance is to establish a corporate governance structure and properly operating this structure, with the aim of achieving the Group's overall business objectives and fulfilling its social responsibilities. The basic principle behind these efforts is for the Company's Board of Directors, and corporate auditors and the Board of Corporate Auditors to work in close collaboration, while properly managing the entire Group by exchanging information with the business management bodies of the Company and Group companies.

2. Corporate Governance Structure

Board of Directors, Corporate Auditors and the Board of Corporate Auditors

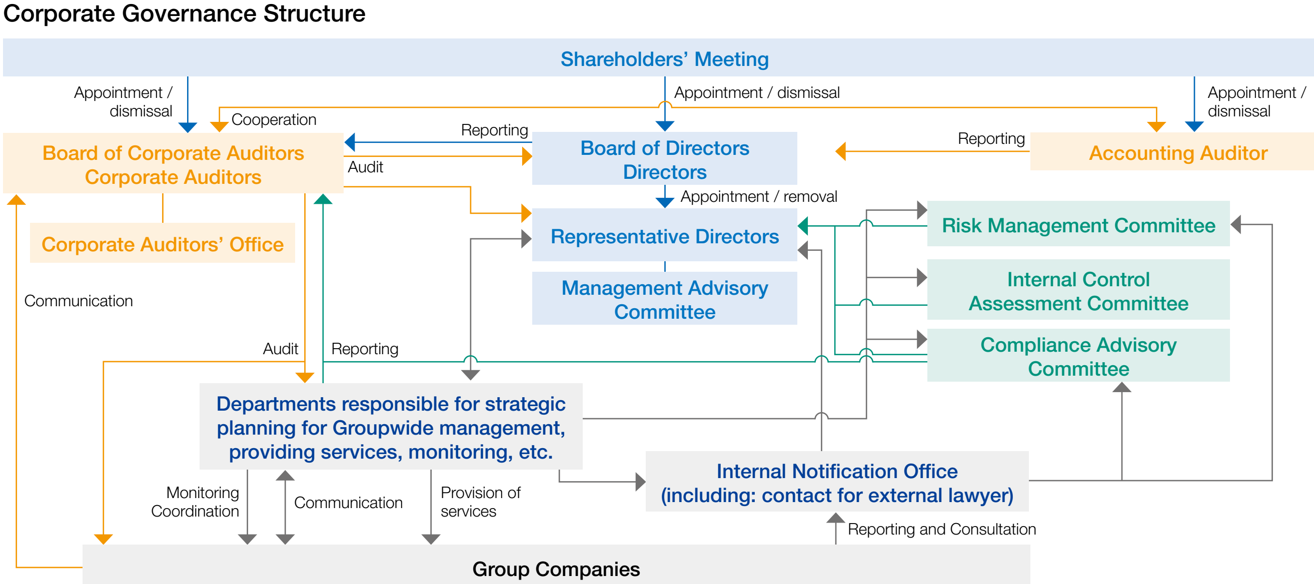
The Company has adopted a corporate governance structure with a Board of Directors, as well as corporate auditors, and a Board of Corporate Auditors. As of June 28, 2012, the Company has 11 directors, two of whom are external appointees, and four corporate auditors, two of whom are external appointees.

The Board of Directors holds meetings regularly and as necessary, at which the directors make decisions on important matters related to the Company's business execution and Groupwide management and monitor operations undertaken based on their decisions. Also, the Management Advisory Committee, which includes the Company's representative directors as members and serves as an advisory body to the Board of Directors, meets on an as-required basis to further facilitate effective and efficient management decision making through deliberation of important matters, including matters put forward to the Board of Directors.

The Board of Corporate Auditors meets, in principle, at least four times a year, at which meetings corporate auditors present reports on the status of their audits and receive reports from the accounting auditor on accounting audits. The corporate auditors conduct audits encompassing the performance of all aspects of directors' duties, in line with audit policies and plans formulated in accordance with standards for audits by corporate auditors, which have been established by the Board of Corporate Auditors.

Meanwhile, the Company has set up various committees to address a variety of across-the-board business management issues faced by the Company and Group companies. These committees include the Risk Management Committee, the Compliance Advisory Committee and the Internal Control Assessment Committee. The Company implements Groupwide monitoring of various issues in each field, and has a reporting system in place to ensure that appropriate information is communicated to business managers at the Company and various Group companies.

Corporate Governance Structure



Internal Control

Development of Internal Control System

The Company approved the Fundamental Internal Control Policies at a Board of Directors' meeting held on October 3, 2011, the incorporation date of the Company.

The Company has developed various in-house systems and regulations that provide the basis for internal control. It is working to promote Groupwide understanding and adherence to these systems and regulations, in order to ensure proper implementation. Also, the Company has established a structure to monitor whether business operations are conducted appropriately and efficiently based on laws and ordinances, and various in-house systems and regulations. This structure is underpinned by the Audit Division, the Compliance Management Section, and the Legal Division.

Internal Audits and Audits by Corporate Auditors

The Audit Division is a dedicated audit organization independent of the Company's lines of business execution, consisting of 8 staff members as of June 29, 2012. The Audit Division formulates an audit plan according to the significance of various risks every year, based on which it performs internal audits in accordance with the Company's internal auditing regulations. In addition, the Audit Division maintains close contact with the audit organizations established within Group companies, with the view to overseeing and managing the implementation of internal audits by Group companies.

* Corporate governance structure chart

Compliance

As a company active in the life science field, the Company has formulated the Declaration of Corporate Conduct and Our Code of Conduct, both of which are based on its management philosophy, to promote more practical compliance activities. With the Compliance Management Section as the supervising entity, the Company has built a Companywide framework for rigorously enforcing compliance. On this basis, the Company continuously conducts employee education, while striving to rigorously ensure that employees observe legal compliance and corporate ethics in the conduct of their respective duties. By appointing compliance promotion staff at each business unit, the Company has put a monitoring system in place to promptly identify compliance issues. Furthermore, the Company has established the Compliance Advisory Committee and compliance hotlines for internal or external whistleblowing.

Risk Management System

The Company has formulated Risk Management Guidelines and has established a Risk Management Committee to manage risks that could materialize in the course of its operations. Examples include natural disasters such as a major earthquake, and incidents such as information leaks. The Company has established a system for initiating response measures depending on the nature, magnitude and other aspects of risks. In addition, the Company manages risks associated with management strategies by consulting with the representative directors and other members of top management on the implementation of rapid and flexible responses as necessary.

The Company has established the Risk Management Coordination Section to set up a system for conducting inspections and providing advice and guidance on all aspects of risk management activities. While identifying risks that could materialize, the Risk Management Coordination Section is working to enhance risk management so that various organizations within the Company can prepare for and respond flexibly to a variety of risks.

Corporate Social Responsibility

1. Quality Assurance Measures

The Company has established a Quality Assurance Head Office (QA Head Office) in an effort to promote quality assurance at each stage of its business activities, from R&D through manufacture, sales and post-marketing operations. The QA Head Office's role is to assess whether the quality and safety of the Company's products are scientifically assured, while ensuring conformity with laws and regulations. In addition, the QA Head Office implements quality assurance and safety management following manufacture and sales, auditing clinical trials, and planning and proposing quality assurance activities for tests being carried out at research centers.

2. Social Contribution and Environmental Preservation Activities

The Taisho Pharmaceutical Group promotes environmentally friendly business activities across all corporate business operations, from R&D to sales of products. Initiatives include measures to curb CO_2 emissions along with steps to prevent air pollution and water contamination. The Group is also engaged in corporate citizenship activities, including support for research in life science-related fields, promotion of self-medication and contributions to sports and arts.

Financial Section

Management's Discussion and Analysis

Taisho Pharmaceutical Holdings Co., Ltd. was incorporated on October 3, 2011 as the wholly owning parent company of Taisho Pharmaceutical Co., Ltd. through a sole-share transfer. Therefore, the Company's first fiscal year covered the period from October 3, 2011 to March 31, 2012. However, there was no effective change in the scope of consolidation because the method of shareholder transfer was a sole-share transfer. Accordingly, the Company has provided year-on-year comparisons with the business results of Taisho Pharmaceutical Co., Ltd. for fiscal 2010, the year ended March 31, 2011, for reference.

Company Overview

* As of July 31, 2012.

The Taisho Pharmaceutical Group is made up of Taisho Pharmaceutical Holdings Co., Ltd. and its 36 subsidiaries and three affiliated companies. The Group's main businesses are operated by the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group. The Self-Medication Operation Group handles the research, development, manufacture and sale of over-the-counter (OTC) drugs, Foods for Specified Health Use (FOSHU), food products, and medical and other healthcare supplies. The Prescription Pharmaceutical Operation Group carries out the research, development, manufacture and sale of prescription pharmaceuticals.

Operating Results

During fiscal 2011, ended March 31, 2012, the global economy showed signs of gradual recovery, supported mainly by an improving job market and a pickup in personal consumption in the U.S. However, as the increasingly serious European fiscal debt crisis rippled out to Asian countries, the global economy as a whole weighed down on the economic recoveries of Japan and various other countries. The Japanese economy continued to face difficult conditions on the whole, mainly due to the impact of the global economic slowdown and the protracted appreciation of the yen. This was despite signs of a rebound in personal consumption following a period of initial weakness due to the impact of the Great East Japan Earthquake, which struck on March 11, 2011.

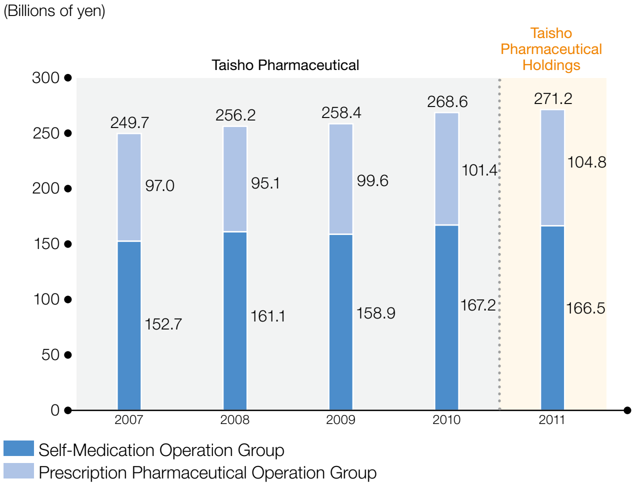
The OTC drug market, the Self-Medication Operation Group's main business field, remained anemic overall, despite bright spots in some categories such as rhinitis drugs, skin treatments and antipyretic analgesics. As new drug discovery becomes increasingly difficult, the Prescription Pharmaceutical Operation Group continued to face severe business conditions. This was chiefly the result of stricter drug screening and approvals, and the steady penetration of various government measures designed to curb healthcare costs worldwide.

Net Sales

In this business environment, the Company's Self-Medication Operation Group has conducted business focused on mainstay energy drinks and OTC drugs. Also, with the aim of achieving further growth, it actively implemented various steps in the growing field of lifestyle-related diseases, while working to provide information on products and strengthen in-store sales promotions. These efforts were directed at

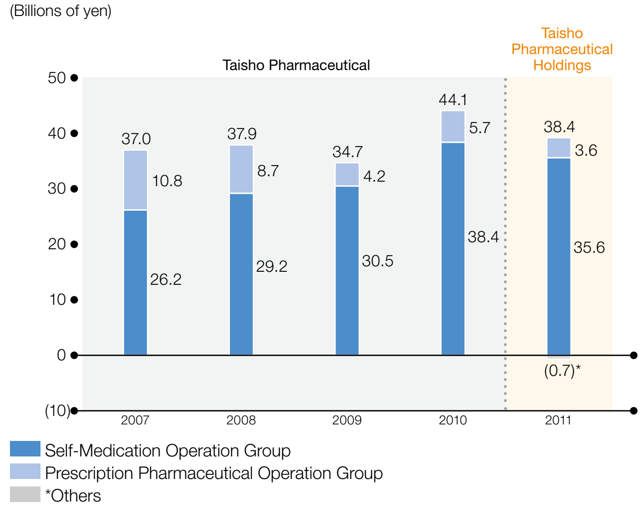
Net Sales Composition by Segment (Fiscal years)

(Billions of yen)



Operating Income Composition by Segment (Fiscal years)

(Billions of yen)



addressing the increasingly diverse needs of consumers. Overseas, the Self-Medication Operation Group began full-scale development of the OTC drug business mainly in the Southeast Asia region, with the view to strengthening its business foundation.

The Prescription Pharmaceutical Operation Group has conducted business focused on priority fields. It has dedicated itself to the ongoing discovery of original compounds and the acceleration of research and development efforts, while reinforcing marketing capabilities by focusing on the provision of information.

As a result of the foregoing business activities, net sales for fiscal 2011 amounted to ¥271,231 million, an increase of ¥2,598 million, or 1.0%, year on year.

Gross Profit and Operating Income

Gross profit rose ¥9 million to ¥172,246 million. Selling, general and administrative expenses increased ¥5,678 million, or 4.4%, to ¥133,833 million, mainly due to higher sales promotion, advertising and R&D expenditures. Consequently, operating income declined ¥5,669 million, or 12.9%, to ¥38,413 million. The operating income margin decreased 2.2 percentage points to 14.2%.

R&D Expenditures

The Taisho Pharmaceutical Group conducts vigorous R&D activities centered on prescription pharmaceuticals. In fiscal 2011, R&D expenditures were ¥24,231 million, an increase of ¥553 million, or 2.3% year on year. R&D expenditures as a percentage of net sales were 8.9%.

In the Self-Medication Operation Group, we are carrying out R&D focused on new products that are safe and highly effective by applying our extensive base of knowledge and technology developed over the years. These R&D activities are conducted in the lifestyle-related disease field, including health foods, in addition to the existing fields of therapeutic drugs and energy drinks. R&D expenditures in the Self-Medication Operation Group were ¥5,239 million, an increase of ¥562 million, or 12.0%, year on year.

In the Prescription Pharmaceutical Operation Group, R&D efforts are focused on highly unique new drugs that will succeed in markets worldwide. R&D expenditures in the Prescription Pharmaceutical Operation Group were ¥18,992 million, mostly on par with the previous fiscal year.

Ordinary Income and Net Income

Non-operating income decreased ¥2,395 million, or 22.9%, to ¥8,054 million, owing mainly to a decrease in equity in earnings of affiliated companies. Non-operating expenses decreased ¥188 million, or 41.4%, to ¥266 million, mainly due to a decline in commission fee. Consequently, ordinary income was down ¥7,876 million, or 14.6%, to ¥46,201 million.

Extraordinary income rose ¥567 million, or 630.0%, to ¥657 million, mainly due to the posting of a reversal of provision for loss on disaster. Extraordinary loss rose ¥2,704 million, or 232.9%, to ¥3,865 million, mainly due to the posting of a

Net Sales of Main Products (Self-Medication Operation Group) (Fiscal years)

	Billions of yen				
	2007	2008	2009	2010	**2011**
OTC drugs, etc.	¥140.5	¥148.6	¥145.1	¥152.1	**¥150.4**
Lipovitan series	76.6	74.8	70.8	71.1	**69.3**
Lipovitan D	55.2	52.8	49.4	48.9	**47.4**
Others	21.4	22.0	21.4	22.2	**21.8**
Pabron series	23.2	25.4	24.9	25.7	**25.8**
RiUP series	10.0	11.4	12.7	14.9	**14.2**
NARON series	4.3	4.4	4.4	4.6	**4.1**
ZENA series	4.1	3.9	3.5	3.3	**3.3**
Gastrointestinal treatment series	4.2	4.4	4.3	4.3	**4.3**
Colac series	3.6	3.9	3.9	3.9	**3.8**
Overseas OTC drugs	—	—	0.8	4.7	**5.9**
FOSHU, etc.	9.7	10.0	10.9	12.5	**13.3**
Livita series	2.3	2.6	3.1	3.6	**4.0**

devaluation loss on investment securities. As a result, income before income taxes and minority interests were ¥42,993 million, a decrease of ¥10,014 million, or 18.9%.

The Company recorded a decrease in deferred tax assets due to a change in the corporate income tax rate accompanying the "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" and the "Act on Special Measures for Securing Financial Resources Necessary for Reconstruction from the Great East Japan Earthquake." As a result, net income decreased ¥10,535 million, or 30.2%, to ¥24,358 million. Net income per share was ¥296.20 and return on equity was 4.6%.

Segment Information

* Increase/decrease in monetary amounts have been calculated using million-yen units.

Self-Medication Operation Group

Segment net sales declined ¥728 million, or 0.4%, to ¥166,467 million.

With regard to the *Lipovitan* series of energy drinks, sales of *Lipovitan D Super*, *Lipovitan Fine* and certain other products steadily expanded, but sales of *Lipovitan D* decreased from the previous fiscal year, partly because of unsettled summer weather. Accordingly, overall *Lipovitan* series sales decreased ¥1.8 billion, or 2.6%, to ¥69.3 billion. Overall sales of the *Pabron* series of cold remedies rose ¥0.1 billion, or 0.3%, to ¥25.8 billion, supported by steady growth in mainstay general cold remedies from the fall onward. Sales of the *RiUP* series of hair regrowth treatments decreased ¥0.7 billion, or 4.9%, to ¥14.2 billion, mainly owing to lower sales of mainstay *RiUP X5*, despite sales contributions from the new product *RiUP Regenne* for women. Regarding other brands, sales of the *NARON* series of antipyretic analgesics decreased ¥0.5 billion, or 12.0%, to ¥4.1 billion, sales of the *ZENA* series of energy drinks declined ¥0.1 billion, or 2.6%, to ¥3.3 billion, and sales of the *Colac* series of constipation-related treatments edged down ¥0.1 billion, or 0.7% to ¥3.8 billion. Sales of the Gastrointestinal treatment series rose ¥0.1 billion, or 1.3%, to ¥4.3 billion. Sales of the overseas OTC drug business rose ¥1.2 billion, or 27.5%, to ¥5.9 billion, mainly reflecting the contribution to sales of Hoepharma Holdings Sdn. Bhd., which was acquired in August 2011, in addition to steady sales growth mainly in the Thai and Indonesian markets.

In the *Livita* series, which is centered on Foods for Specified Health Use (FOSHU), sales of the powder product series, notably *Glucocare Powder Stick*, remained strong. As a result, *Livita* series sales expanded ¥0.4 billion, or 11.8%, to ¥4.0 billion.

Prescription Pharmaceutical Operation Group

Segment net sales increased ¥3,326 million, or 3.3% to ¥104,763 million.

Sales of the mainstay macrolide antibiotic agent *Clarith* declined ¥1.3 billion, or 6.0%, to ¥21.6 billion, and sales of the peripheral vasodilator *Palux* decreased ¥0.8 billion, or 8.5%, to ¥9.4 billion. However, sales of other products expanded steadily. Sales of *ZOSYN*, an injectable penicillin-derivative and ß-lactamase inhibitor combination antibiotic agent, increased ¥2.8 billion, or 19.2%, to ¥17.6 billion. Sales of *Geninax*, a quinolone antibacterial agent, rose ¥1.6 billion, or 37.1%, to ¥6.1 billion. Sales of *OZEX*, a new

Net Sales of Main Products (Prescription Pharmaceutical Operation Group) (Fiscal years)

	Billions of yen				
Product Name	2007	2008	2009	2010	**2011**
Clarith	¥25.5	¥24.0	¥23.3	¥22.9	**¥21.6**
ZOSYN	—	4.0	10.7	14.8	**17.6**
Palux	11.4	11.2	10.8	10.2	**9.4**
Geninax	3.3	3.7	4.8	4.5	**6.1**
OZEX	3.4	3.0	2.8	4.1	**6.1**
Lorcam	4.3	4.0	3.7	3.6	**3.3**
PENTCILLIN	6.2	5.5	4.3	3.8	**3.0**
TOMIRON	3.0	3.0	2.5	2.5	**2.2**
EDIROL	—	—	—	—	**1.8**

Taisho Pharmaceutical Holdings Co., Ltd. and its Consolidated Subsidiaries (Fiscal years)

	Taisho Pharmaceutical				Taisho Pharmaceutical Holdings
	Millions of yen				
	2007	2008	2009	2010	2011
Sales					
Self-Medication Operation Group	¥152,678	¥161,141	¥158,851	¥167,195	**¥166,467**
OTC drugs, etc.	140,493	148,641	145,091	152,089	**150,437**
Foods for Specified Health Use, etc.	9,735	10,015	10,883	12,535	**13,313**
Others	2,450	2,485	2,877	2,571	**2,717**
Prescription Pharmaceutical Operation Group	96,978	95,072	99,590	101,437	**104,763**
Ethical drugs	81,969	84,712	89,612	93,172	**96,512**
Intermediated products, etc.	10,739	8,748	9,458	7,919	**7,918**
Royalty income	4,269	1,612	520	345	**333**
Segment assets:					
Self-Medication Operation Group	210,213	189,377	215,667	249,088	**234,246**
Prescription Pharmaceutical Operation Group	133,260	151,623	149,875	161,223	**153,948**
Depreciation*:					
Self-Medication Operation Group	9,046	7,984	8,588	8,936	**8,702**
Prescription Pharmaceutical Operation Group	3,573	3,030	2,945	2,789	**2,540**

*Depreciation includes amortization of long-term prepaid expenses.

quinolone antibacterial agent, increased ¥2.0 billion, or 49.8%, to ¥6.1 billion. Sales of the osteoporosis agent *EDIROL*, which was launched April 2011, amounted to ¥1.8 billion. In other products, sales of *Lorcam*, a nonsteriodal anti-inflammatory/analgesic drug, slid ¥0.3 billion, or 8.2%, to ¥3.3 billion. Sales of *PENTCILLIN*, an injectable synthetic penicillin agent, dropped ¥0.8 billion, or 19.2%, to ¥3.0 billion. Sales of *TOMIRON*, a cephem antibiotic agent, declined ¥0.3 billion, or 12.2%, to ¥2.2 billion.

Sales of other products, such as intermediated products for medical use, were ¥7.9 billion, mostly unchanged from the previous fiscal year, while royalty income declined ¥0.01 billion, or 3.5%, to ¥0.3 billion.

Financial Position

The Company's financial policy calls for maintaining appropriate liquidity, securing sufficient working capital for corporate business activities and ensuring sound balance sheets.

Total assets stood at ¥629,506 million as of March 31, 2012, an increase of ¥11,072 million, or 1.8%, from a year earlier. Current assets totaled ¥234,782 million, up ¥1,611 million, or 0.7%, from a year before, while fixed assets totaled ¥394,724 million, increasing ¥9,460 million, or 2.5%.

The increase in current assets was mainly attributable to an increase of ¥19,055 million in marketable securities from March 31, 2011, reflecting a transfer from investment securities, and an increase of ¥13,492 million in notes and accounts receivable, trade, from a year earlier, mainly because the fiscal year-end fell on a public holiday. These increases were partly offset by a decrease of ¥38,751 million in cash and cash equivalents from March 31, 2011, mainly reflecting the acquisition of bonds and treasury stock.

The increase in fixed assets was mainly due to an increase of ¥2,587 million, or 2.9%, in tangible fixed assets to ¥92,837 million. Another factor was an increase in intangible assets of ¥8,482 million, or 27.9%, to ¥38,869 million, mainly reflecting increases in goodwill following the acquisition of shares of Hoepharma Holdings Sdn. Bhd. Investments and other assets decreased ¥1,609 million, or 0.6%, to ¥263,018 million.

Total liabilities stood at ¥90,839 million as of March 31, 2012, an increase of ¥7,636 million, or 9.2%. Current liabilities rose ¥3,447 million, or 5.8%, to ¥63,307 million, while long-term liabilities increased ¥4,189 million, or 17.9%, to ¥27,533 million.

Net assets stood at ¥538,667 million as of March 31, 2012, up ¥3,436 million, or 0.6%. This mainly reflected an increase of ¥16,636 million in retained earnings from the previous fiscal year-end, which was mostly offset by an increase of ¥15,125 million in treasury stock, which is deducted from net assets. Net unrealized gains/losses on securities rose ¥2,808 million from March 31, 2011, while foreign currency translation adjustments decreased ¥1,706 million from the same date.

As a result, the equity ratio declined 1.0 percentage point from March 31, 2011 to 83.8%. Net assets per share were ¥6,560.67.

Cash Flows

Cash and cash equivalents decreased ¥39,135 million from a year before to ¥84,468 million as of March 31, 2012.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥23,733 million, a year-on-year decrease of ¥22,761 million, largely due to the posting of ¥42,993 million in income before income taxes and minority interests.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥39,349 million, an increase of ¥38,556 million year on year. In the year under review, outflows consisted mainly of payment for purchases of investment securities totaling ¥28,246 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥23,074 million, an increase of ¥4,696 million year on year. Cash was mainly used for purchases of treasury stock totaling ¥15,080 million and the payment of cash dividends totaling ¥7,426 million.

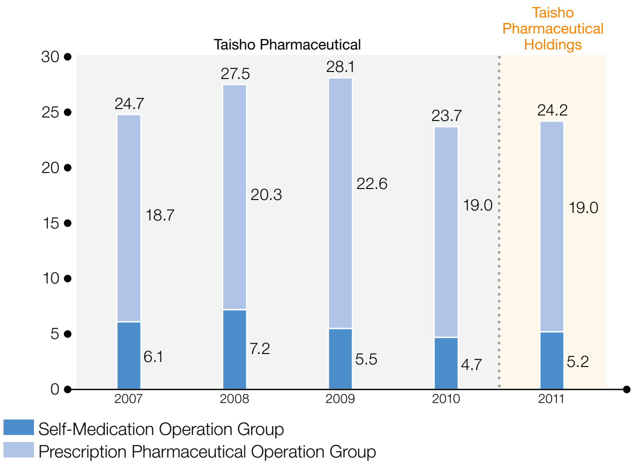
Capital Expenditures

As part of ongoing efforts to expand its business operations, the Taisho Pharmaceutical Group undertook capital expenditures totaling ¥12,868 million during fiscal 2011. Principal components included ¥3,178 million used for the construction of a new Osaka Branch building, ¥1,285 million used for purchasing business-use land and ¥956 million used for upgrading research facilities at the Research Center.

There was no material impact on our production capacity following the sale, disposal or loss of fixed assets.

Research and Development Expenditures (Fiscal years)

(Billions of yen)



Human Resources

The total number of employees as of March 31, 2012 was 6,003, an increase of 381 from a year earlier. Among the total, the Self-Medication Operation Group accounted for 2,791 employees, an increase of 377 employees year on year, while the Prescription Pharmaceutical Operation Group accounted for 1,856 employees, an increase of 14 employees year on year. There were also 1,356 employees engaged in Companywide operations not allocable to any specific segment, a decrease of 10 employees year on year.

Basic Earnings Distribution Policy

The Company's basic earnings distribution policy is to maintain a stable dividend, while ensuring sufficient internal reserves to build a stronger enterprise. Aimed at strengthening our competitiveness and achieving business expansion, these internal reserves will be used for R&D, capital investment, product in-licensing, capital and business alliances and new business development. In addition, with due consideration given to the funds required for such investments, we plan to repurchase treasury stock in a flexible manner, aiming to improve capital efficiency and implement an agile financial policy.

The Company's dividend policy is to pay dividends largely in line with its consolidated business performance each fiscal year, while targeting a dividend payout ratio of 30% of net income excluding extraordinary income/loss. Barring special circumstances, the Company plans to maintain an annual dividend of at least ¥90 per share, even when the dividend payout ratio exceeds 30%.

For the period under review, the Company declared an annual dividend of ¥90 per share. This decision mainly reflects the need to continue to bolster the Company's financial position in readiness for progress on R&D plans, the execution of capital and business alliances and other priorities, along with the purchase of treasury stock during fiscal 2011.

The Company's Articles of Incorporation stipulate that "the Company may pay cash dividends from surplus as an interim dividend to shareholders or registered pledgees of shares shown or recorded on the final register of shareholders every September 30, by resolution of the Board of Directors," in accordance with Article 454, Paragraph 5 of the Companies Act of Japan.

Important Management Issues

Self-Medication Operation Group

In the area of product development, the Company will broaden its product lineup of Category 1 medicines by introducing switch compounds (prescription pharmaceutical compounds developed for the OTC drugs market) and aggressively undertake measures to meet demand in such new fields as lifestyle-related diseases including metabolic syndrome, together with steps that can lead to more healthy lives. In the area of sales and marketing, the Company will strive to further increase the brand value it has built over many years, including the *Lipovitan* series, *Pabron* series, and *RiUP* series, while focusing on nurturing new brands such as *Livita*. Also, we will focus on further strengthening proposal-oriented sales activities based on our direct-sales system and work to enhance our direct communication with consumers by expanding new channels such as a mail-order system.

Prescription Pharmaceutical Operation Group

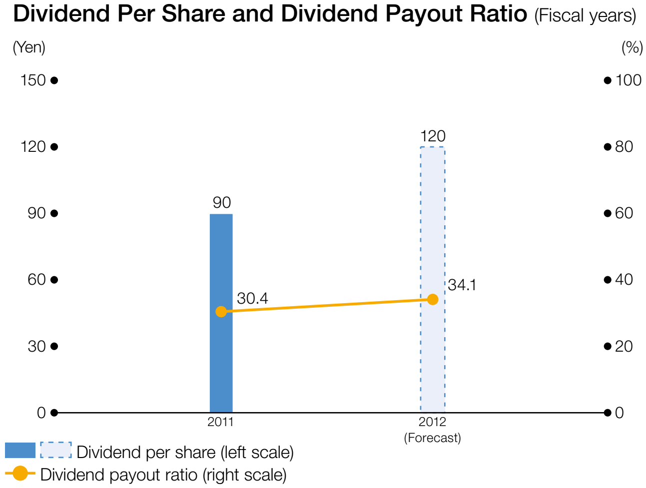
The operating environment of the Prescription Pharmaceutical Operation Group has become even more difficult. To successfully win out against the tough competition in this field, the Company will focus its R&D on highly unique new drugs that will succeed in markets worldwide. At the same time, we will work to enhance our drug pipeline by promoting the in-licensing of promising drug candidates and collaborative development through strengthened alliances with both domestic and overseas counterparts.

Our consolidated sales and marketing subsidiary Taisho Toyama Pharmaceutical aims to strengthen the provision of information and enhance the productivity of its medical representatives (MRs). Furthermore, the subsidiary will fortify its areas of expertise with the aim of solidifying its position as the leader in the field of infectious diseases.

M&A and Overseas Operations

In overseas business activities, we will work to solidify our business base for energy drinks centered on Southeast Asia to establish ourselves as a leading international name in this market sector. Also, in the OTC drug business, the Company is working to build firm business foundations in Indonesia, the Philippines, Thailand and Malaysia. In August 2011, the Company acquired Hoepharma Holdings Sdn. Bhd. (HOE), a pharmaceutical company in Malaysia. In March 2012, the Company agreed with Osotspa Co., Ltd., a business partner in the energy drink business in Thailand, on the integration of

Dividend Per Share and Dividend Payout Ratio (Fiscal years)



both companies' OTC drug businesses in the country. Going forward, the Company plans to continue expanding its OTC drug business in regional markets with growth potential centered on Southeast Asia.

Fiscal 2012 Outlook

* Outlook figures are formulated as of July 31, 2012.
Fiscal 2012 outlook includes TOKUHON Corporation and 4 companies including CICSA that were included in the scope of consolidation in July 2012.

In fiscal 2012, ending March 31, 2013, the Company expects to post net sales of ¥285,000 million, up 5.1% compared with fiscal 2011. On the earnings front, the Company projects operating income of ¥37,500 million, down 2.4%, ordinary income of ¥44,500, down 3.7%, and net income of ¥29,000 million, up 19.1%. In making the above forecasts for earnings, we have taken into consideration our selling, general and administrative expenses, which are expected to increase due to research and development expenditures and advertising and sales promotion costs as R&D projects progress and new products are launched. In addition, we have factored in a likely decline in equity in earnings of affiliated companies and a projected decrease in income taxes due to a change in the income tax rate.

Self-Medication Operation Group

For fiscal 2012, we forecast net sales of ¥177,200 million for the Self-Medication Operation Group, up 5.1% year on year.

Sales of OTC drugs are expected to increase by 5.4% to ¥158,600 million. Sales targets for the Company's mainstay products are as follows: the *Lipovitan* series up 2.5% to ¥71,000 million; the *Pabron* series up 1.1% to ¥26,000 million; and the *RiUP* series up 2.1% to ¥14,500 million. The overseas OTC drug business is projecting sales of ¥10,000 million, an increase of 69.3%, partly reflecting the full-year contribution to sales of HOE.

In FOSHU, etc., we are projecting sales of ¥15,700 million, up 17.9% year on year. Sales of the *Livita* series are expected to increase 11.6% to ¥4,500 million, while sales of overseas energy drinks sales are expected to increase 7.2% to ¥6,900 million.

Prescription Pharmaceutical Operation Group

For fiscal 2012, the Prescription Pharmaceutical Operation Group is forecasting net sales of ¥107,800 million, up 2.9% compared with fiscal 2011.

Sales of prescription pharmaceuticals are projected to increase 3.9% to ¥100,300 million. Sales of *Clarith* are projected to fall 9.5% to ¥19,500 million, while sales of *Palux* are projected to decrease 5.9% to ¥8,800 million. These decreases are partly a reflection of NHI drug price revisions implemented in April 2012. Sales of *Geninax* should be mostly unchanged from fiscal 2011 at ¥6,100 million. The Company has set higher sales targets for the following products: *ZOSYN* up 8.0% to ¥19,000 million; *OZEX* up 14.0% to ¥7,000 million; and *EDIROL* up 254.4% to ¥6,500 million.

We expect sales of intermediate products, etc., to fall 9.1% to ¥7,200 million.

Business and Other Risks

The Taisho Pharmaceutical Group faces various risks in the course of developing business. Among these risks, the primary risks that could have a material impact on investors' decisions are highlighted as follows.

Forward-looking statements mentioned in this discussion of risks reflect management's beliefs and judgments as of March 31, 2012.

1. Legal risks and risks related to healthcare policy

Our operations are subject to laws and regulations governing pharmaceutical affairs. A number of different approval and permission systems exist at each stage of pharmaceutical operations, including research, development, manufacture, import and distribution. Consequently, there is a risk that any of our products could fail to conform to regulations at one of these stages, or that previously granted approvals could be revoked. Among other risks, depending on trends in healthcare policy, health insurance systems and other changes, we may also face the risk of a decline in pharmaceutical prices.

2. Risks involving pharmaceutical quality, side effects and other issues

We do our utmost to guarantee the reliability and quality of our pharmaceutical and other products. Nevertheless, unanticipated side effects, accidents and other factors could force us to recall or halt the sales of the pharmaceutical and other products affected or incur claims for damage.

3. Risks involving pharmaceutical development and commercialization

The development of pharmaceuticals is a lengthy process and requires a substantial amount of research and development investment. There is an element of uncertainty inherent in the successful launch of products and businesses.

4. Risks involving intellectual property rights

If we are not properly protected by our intellectual property rights, there is a risk that a third party might use our technology and other intellectual property to undermine our market competitiveness. Similarly, there is the risk that we might encroach on the intellectual property rights of third parties.

5. Risks related to patent expiry

Although we strive to extend product life cycles, sales could be negatively impacted by, for example, the emergence of a generic drug or a switch to an OTC drug produced following the expiration of a patent.

6. Risks from lawsuits

We face the possibility of lawsuits in the course of our business activities related to product liability, environmental issues and other matters.

7. Risks from fluctuations in foreign exchange rates

Fluctuations in foreign currency exchange rates could affect royalties denominated in foreign currencies received from outside Japan, commercial transactions and other factors, thus impacting our operating results.

8. Other risks

Due to various events, including sudden earthquakes, tsunamis and other natural disasters and the deterioration of the social order at the overseas locations where we operate, we could suffer major setbacks, such as the destruction of our business sites and infrastructure or the need to downsize or withdraw from businesses.

In addition, there are a variety of other risks involved, including those associated with the external procurement of raw materials and a dependency on the licenses of products developed by other companies.

Please note, therefore, that the aforementioned risks do not constitute all the risks inherent in the Company's business activities.

Financial Section

Consolidated Balance Sheet

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
As of March 31, 2012

	Millions of yen	Thousands of U.S. dollars (Note 1)
ASSETS	2012	2012
Current assets:		
Cash and cash equivalents (Notes 8 and 10)	¥ 94,672	$ 1,152,715
Notes and accounts receivable, trade (Note 10)	78,663	957,786
Marketable securities (Notes 8, 10 and 11)	19,055	232,014
Inventories	24,799	301,943
Deferred income taxes (Note 14)	8,567	104,313
Other current assets (Note 17)	9,195	111,962
Allowance for doubtful accounts (Note 10)	(170)	(2,069)
Total current assets	234,782	2,858,665
Fixed assets:		
Tangible fixed assets:		
Buildings and structures	130,435	1,588,153
Machinery and equipment	79,970	973,698
Land	35,346	430,371
Construction-in-progress	5,103	62,138
Others	33,341	405,958
Accumulated depreciation and impairment loss	(191,359)	(2,329,950)
Total tangible fixed assets	92,837	1,130,367
Intangible assets:		
Goodwill	17,731	215,895
Sales rights	8,883	108,162
Others	12,254	149,203
Total intangible assets	38,869	473,259
Investments and other assets:		
Investment securities (Notes 10 and 11)	198,138	2,412,488
Investment securities in affiliates	47,145	574,033
Long-term prepaid expenses	993	12,094
Deferred income taxes (Note 14)	9,163	111,570
Other assets	7,708	93,846
Allowance for doubtful accounts	(129)	(1,568)
Total investments and other assets	263,018	3,202,464
Total fixed assets	394,724	4,806,090
Total assets (Note 16)	¥ 629,506	$ 7,664,755

LIABILITIES AND NET ASSETS	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:		
Notes and accounts payable, trade	¥ 28,987	$ 352,937
Accounts payable	12,286	149,593
Accrued income taxes (Note 14)	5,727	69,725
Accrued expenses	8,837	107,600
Provision for sales returns	472	5,743
Accrued bonuses to employees	4,631	56,383
Other current liabilities	2,368	28,831
Total current liabilities	63,307	770,813
Long-term liabilities:		
Accrued retirement benefits for employees (Note 13)	17,590	214,167
Accrued retirement benefits for directors and corporate auditors	1,537	18,708
Deferred income taxes (Note 14)	4,455	54,245
Other long-term liabilities	3,952	48,114
Total long-term liabilities	27,533	335,235
Net Assets:		
Shareholders' equity:		
Common stock (Note 7)		
Authorized—		
2012: 360,000 thousand shares		
Issued—		
2012: 90,139 thousand shares	30,000	365,275
Capital surplus	15,000	182,637
Retained earnings	550,605	6,704,069
Treasury stock, at cost (Note 7)		
(2012: 9,755 thousand shares)	(61,897)	(753,642)
Total shareholder's equity	533,709	6,498,339
Accumulated other comprehensive income:		
Net unrealized gains/losses on securities	4,748	57,816
Foreign currency translation adjustments	(11,080)	(134,910)
Total accumulated other comprehensive income	(6,332)	(77,094)
Minority interests in consolidated subsidiaries	11,290	137,463
Total net assets	538,667	6,558,707
Total liabilities and net assets	¥629,506	$7,664,755

The accompanying notes are an integral part of these financial statements.

Financial Section

Consolidated Statement of Income

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2012

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2012	2012
Net sales (Note 16)	¥271,231	$3,302,455
Cost of sales (Note 5)	98,984	1,205,214
Gross profit	172,246	2,097,241
Selling, general and administrative expenses (Note 5)	133,833	1,629,532
Operating income (Note 16)	38,413	467,708
Non-operating income:		
Interest income	5,138	62,564
Dividend income	1,122	13,660
Equity in earnings of affiliated companies	1,179	14,356
Others (Note 17)	614	7,481
	8,054	98,060
Non-operating expense:		
Interest expense	12	141
Loss on valuation of partnership	66	798
Commission fee	144	1,757
Others	44	536
	266	3,233
Ordinary income	46,201	562,535
Extraordinary income:		
Gain on sales of fixed assets (Note 5)	186	2,271
Reversal of provision for losses related to disaster	469	5,715
Gain on sales of golf club memberships	1	13
	657	7,998
Extraordinary loss:		
Loss on disposal of fixed assets (Note 5)	186	2,271
Devaluation loss on investment securities	3,668	44,664
Loss on sales of golf club memberships	10	127
	3,865	47,062
Income before income taxes and minority interests	42,993	523,472
Income taxes (Note 14)**:**		
Current	14,482	176,333
Deferred	3,259	39,678
	17,741	216,011
Income before minority interests	25,252	307,461
Minority interests in consolidated subsidiaries	894	10,888
Net income (Note 18)	¥ 24,358	$ 296,573

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2012

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2012	2012
Income before minority interests	¥25,252	$307,461
Other comprehensive income:		
Unrealized gain on securities	2,793	34,010
Foreign currency translation adjustments	(1,716)	(20,891)
Share of other comprehensive income of associates accounted for using equity method	21	253
Total other comprehensive income	1,098	13,372
Comprehensive income	26,350	320,833
(Comprehensice income attributable to)		
Comprehensive income attributable to owners of the parent	25,460	309,994
Comprehensive income attributable to minority interests	890	10,838

The accompanying notes are an integral part of these financial statements.

Financial Section

Consolidated Statement of Changes in Net Assets

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2012

	Millions of yen									
	Shareholders' equity					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Net unrealized gains/losses on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2011	¥29,804	¥14,935	¥533,969	¥(46,772)	¥531,937	¥1,940	¥ (9,374)	¥(7,434)	¥10,728	¥535,231
Changes in the period										
Purchase of treasury stock				(15,080)	(15,080)					(15,080)
Cancellation of treasury stock										
Dividends			(7,452)		(7,452)					(7,452)
Net income			24,358		24,358					24,358
Changes due to incorporation of holding company through share transfers	196	65	(270)	9						
Effect of changes in the shares of equity-method affiliates				(54)	(54)					(54)
Net changes in items except shareholders' equity						2,809	(1,706)	1,102	561	1,664
Total changes in the period	196	65	16,636	(15,125)	1,772	2,809	(1,706)	1,102	561	3,435
Balance as of March 31, 2012	¥30,000	¥15,000	¥550,605	¥(61,897)	¥533,709	¥4,748	¥(11,080)	¥(6,332)	¥11,290	¥538,667

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Net unrealized gains/losses on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2011	$362,894	$181,847	$6,501,513	$(569,488)	$6,476,766	$23,620	$(114,135)	$(90,516)	$130,628	$6,516,878
Changes in the period										
Purchase of treasury stock				(183,608)	(183,608)					(183,608)
Cancellation of treasury stock										
Dividends			(90,736)		(90,736)					(90,736)
Net income			296,573		296,573					296,573
Changes due to incorporation of holding company through share transfers	2,381	790	(3,281)	110						
Effect of changes in the shares of equity-method affiliates				(656)	(656)					(656)
Net changes in items except shareholders' equity						34,196	(20,775)	13,421	6,835	20,256
Total changes in the period	2,381	790	202,556	(184,154)	21,573	34,196	(20,775)	13,421	6,835	41,829
Balance as of March 31, 2012	$365,275	$182,637	$6,704,069	$(753,642)	$6,498,339	$57,816	$(134,910)	$(77,094)	$137,463	$6,558,707

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2012

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2012	2012
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 42,993	$ 523,472
Adjustments:		
Depreciation and amortization (Note 16)	11,242	136,883
Amortization of goodwill	836	10,183
Devaluation losses on investment securities	3,668	44,664
Gain on sales of fixed assets (Note 5)	(186)	(2,271)
Loss on disposals of fixed assets (Note 5)	186	2,271
Interest and dividend income	(6,260)	(76,224)
Interest expense	12	141
Equity in earnings of affiliated companies	(1,179)	(14,356)
Decrease in allowance for doubtful accounts	(388)	(4,723)
Increase in accrued retirement benefits	336	4,095
Increase in prepaid pension costs	(1,128)	(13,736)
Increase in accrued directors' retirement benefits	72	875
Increase in accrued bonuses for employees	68	829
Decrease in provision for losses related to disaster	(1,045)	(12,718)
Increase in notes and accounts receivable, trade	(12,522)	(152,470)
Increase in inventories	(1,587)	(19,326)
Increase in notes and accounts payable, trade	3,875	47,186
Decrease in long-term liabilities	(56)	(683)
Other, net	(4,689)	(57,094)
Subtotal	34,248	417,000
Interest and dividends income received	6,340	77,201
Interest paid	(12)	(141)
Income taxes paid	(16,844)	(205,093)
Net cash provided by operating activities	23,733	288,967
Cash flows from investing activities:		
Increase in time deposits	(714)	(8,688)
Payments for purchases of tangible fixed assets	(7,427)	(90,425)
Proceeds from sales of tangible fixed assets	218	2,658
Payments for purchases of intangible fixed assets	(3,814)	(46,433)
Proceeds from sales of intangible fixed assets	7	84
Payments for purchases of investment securities	(28,246)	(343,924)
Proceeds from sales of investment securities	9,096	110,751
Payment for purchases of investment in subsidiaries resulting in change in scope of consolidation (Note 8)	(9,910)	(120,665)
Proceeds from sales of investment securities in affiliates	4,232	51,530
Proceeds from sales of investment in subsidiaries	4	46
Payments for long-term prepaid expenses	(500)	(6,091)
Other, net	(2,295)	(27,946)
Net cash used in investing activities	(39,349)	(479,102)
Cash flows from financing activities:		
Proceeds from short-term loans payable	282	3,429
Repayment of short-term loans payable	(235)	(2,861)
Repayment of long-term loans payable	(10)	(120)
Repayment of capitalized lease obligations	(277)	(3,370)
Payments for purchases of treasury stock	(15,080)	(183,608)
Cash dividends paid	(7,426)	(90,413)
Cash dividends paid to minority shareholders	(329)	(4,001)
Net cash used in financing activities	(23,074)	(280,943)
Effect of exchange rate changes on cash and cash equivalents	(445)	(5,418)
Net decrease in cash and cash equivalents	(39,135)	(476,496)
Cash and cash equivalents at the beginning of the year	123,603	1,504,965
Cash and cash equivalents at the end of the year (Note 8)	¥ 84,468	$1,028,469

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements:

Taisho Pharmaceutical Holdings Co., Ltd. was established on October 3, 2011 as the wholly-owning parent company of Taisho Pharmaceutical Co., Ltd. through a sole share transfer.

The consolidated financial statements for the year ended March 31, 2012 (from April 1, 2011 to March 31, 2012) have been prepared by incorporating the consolidated financial statements of Taisho Pharmaceutical Co., Ltd., which became a wholly owned subsidiary of Taisho Pharmaceutical Holdings Co., Ltd. Since the fiscal year ended March 31, 2012 was the first fiscal year for the Company, the consolidated financial statements or figures of the previous fiscal years for the purpose of comparison are not presented.

The accompanying consolidated financial statements of Taisho Pharmaceutical Holdings Co., Ltd. (the "Company") and its domestic and foreign subsidiaries (together, the "Companies") are basically English versions of those which have been filed with the Ministry of Finance and prepared in accordance with accounting principles and practices generally accepted in Japan, which differ in certain respects to the application and disclosure requirements of International Financial Reporting Standards. The preparation of these financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as reported amounts of revenues and expenses during the reporting periods.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present these statements in a form which is more familiar to the readers of these statements outside Japan.

The figures shown in the consolidated financial statements have been rounded to the nearest million yen.

The U.S. dollar amounts are included solely for convenience and have been translated at the rate of ¥82.13 = U.S. $1, the approximate exchange rate prevailing in the Japanese foreign exchange market as at March 31, 2012. This translation should not be construed as a representation that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that rate.

2. Summary of Significant Accounting Policies:

(1) Consolidation

a) Consolidated subsidiaries as of March 31, 2012

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries (32 companies at March 31, 2012). Main subsidiaries are as follows:

Taisho Pharmaceutical Co., Ltd.
Taisho Toyama Pharmaceutical Co., Ltd.
Biofermin Pharmaceutical Co., Ltd
Osotspa Taisho Co., Ltd.
PT. Taisho Pharmaceutical Indonesia Tbk

The consolidated financial statements include the accounts of the Company and all subsidiaries which the Company has the ability to control.

b) Equity-method affiliates

Investments in all affiliated companies (three affiliates at March 31, 2012) where shareholdings are more than 20% and where the Company has significant influence over operations, finance and management, are accounted for by the equity method. Main affiliates are Toyama Chemical Co., Ltd. and Yomeishu Seizo Co., Ltd.

Investments in 50% or less owned companies, over which the parent company does not have control but has the ability to exercise significant influence, are accounted for using the equity method. The excess of the cost over the underlying net equity of investments in affiliates accounted for on an equity basis is deferred and amortized over the period in which the future benefit of investments is estimated to continue. Consolidated net income includes the Company's equity in the current earnings of these equity companies after the elimination of unrealized intercompany profits.

c) Account closing dates

All significant intercompany transactions and accounts and unrealized intercompany profits are eliminated on consolidation. The results of consolidated subsidiaries, except for Taisho Pharmaceutical Co., Ltd., Taisho Toyama Pharmaceutical Co., Ltd., Biofermin Pharmaceutical Co., Ltd. and four other companies, are included in the consolidated accounts for the fiscal years ended December 31, 2011, while the accounts of the seven subsidiaries listed above are consolidated using their results for the fiscal years ended March 31, 2012. Material differences in intercompany transactions and accounts arising from the use of the different fiscal year-ends are appropriately adjusted for on consolidation.

(2) Valuation methods for major assets

a) Securities:

1) Held-to-maturity debt securities are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity.
2) Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount. Other securities for which market quotations are unavailable are stated at cost.

When the fair value of held-to-maturity debt securities or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Debt securities due within one year are presented as "marketable securities" and all other securities are presented as "investment securities."

b) Derivatives:

All derivatives are stated at fair value, with changes in fair value included in profit or loss in the period in which they arise, except for derivatives that are designated as "hedging instruments."

c) Inventories:
Merchandise, finished goods and work-in-process are stated at the lower of cost or net realizable value, which is determined by the weighted average method. Raw materials are stated at the lower of cost or net realizable value, which is determined by the moving average method. Supplies are stated by using the last purchase price method.

(3) Depreciation and amortization of major assets

a) Tangible fixed assets (except for lease assets):
Tangible fixed assets, including significant renewals and improvements, are capitalized at cost. Maintenance and repairs and minor renewals and betterments are charged to income. Depreciation is computed primarily using the declining-balance method at rates based on the estimated useful lives of the assets. In the case of retirement or disposal, the difference between the net carrying amount and salvage or sales proceeds is charged or credited to income.

b) Intangible assets (except for lease assets):
The straight-line method is adopted. Sales rights are amortized based on the straight-line method over the expected useful economic life of 10 years. Software for in-house use is amortized based on the straight-line method over the expected useful economic life of 5 years.

c) Lease assets:
The straight-line method is adopted over the lease term with no residual value. However, finance lease transactions that do not transfer ownership, of which contract start dates are prior to April 1, 2008, are accounted for in a manner similar to operating leases.

(4) Basis of provision

a) Allowance for doubtful accounts:
An allowance for doubtful accounts is provided for estimated future losses based on past experience, and based on assessment of the collectability of individual receivables.

b) Provision for sales returns:
Provision for sales returns is provided for the expected returns of sales at the end of the fiscal year.

c) Accrued bonuses to employees:
Accrued bonuses are provided for the expected payments of employees' bonuses at the end of the fiscal year.

d) Accrued retirement benefits for employees:
The lump-sum severance indemnity regulations of the Companies, which cover substantially all employees, provide for benefit payments determined by reference to the employee's current basic rate of pay, length of service periods, qualification, evaluation and managerial posts.

The accrued retirement benefit represents the excess of the actuarially calculated present value of the projected benefit obligation over the fair value of the plan assets except for, as permitted under the standard, the unrecognized actuarial differences and the unrecognized prior service cost which are amortized on a straight-line basis over the period within the average remaining service period of employees. The unrecognized actuarial differences are amortized from the beginning of the subsequent year, while the unrecognized prior year service costs are amortized from the year in which they arise.

e) Accrued retirement benefits for directors and corporate auditors:
The Company and domestic consolidated subsidiaries have accrued severance indemnities cost for directors and corporate auditors based on internal regulations.

(5) Foreign currency translation

Foreign currency transactions are translated using foreign exchange rates prevailing at the transaction dates.

All monetary assets and liabilities denominated in foreign currencies, whether they are long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

All assets and liabilities of foreign subsidiaries and affiliates are translated at current rates at the respective balance sheet dates and all the income and expense accounts are translated at average rates for respective periods. Foreign currency translation adjustments are presented as a component of shareholders' equity in the consolidated financial statements.

(6) Hedge accounting

Gains or losses arising from changes in the fair value of derivatives designated as "hedging instruments" are deferred as a component of net assets and included in profit or loss in the same period in which the gains or losses on the hedged items or transactions are recognized.

Derivatives designated as hedging instruments by the Company are principally currency forward contracts and interest rate swaps. A hedged item is an asset, liability, firm commitment, or forecasted future transaction that exposes the enterprise to the risk of changes in fair value or changes in future cash flows and that, for hedge accounting purposes, is designated as being hedged.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of exchange and interest rate fluctuations. Thus, the Company's purchase of hedging instruments is limited to, at maximum, the amount of the items to be hedged.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(7) Consumption tax

The consumption tax withheld upon sale and consumption tax paid by the Companies on purchase of goods and services is not included within revenue, cost or expense items in the accompanying consolidated statement of income.

(8) Valuation method for assets and liabilities of subsidiaries which were acquired to become subsidiaries

Assets and liabilities of subsidiaries are measured at fair value as at the date of acquisition when consolidated.

(9) Amortization of goodwill and negative goodwill

Goodwill and negative goodwill are amortized equally over the effective periods.

(10) Cash and cash equivalents in consolidated statement of cash flows

For the purpose of the statement of cash flow, all highly liquid investments which are readily convertible into cash and/or which mature within three months or less are considered to be cash equivalents.

3. Accounting Changes:

(Additional information)

Effective from the fiscal year ended March 31, 2012, the Company has applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and the "Guidance on the Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, December 4, 2009).

4. Notes to Consolidated Balance Sheet:

Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

Year ended March 31	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Buildings and structures	¥204	$2,479
Total	¥204	$2,479

Secured liabilities are as follows:

Year ended March 31	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Short-term borrowings	¥ 28	$ 344
Current portion of long-term debt	23	284
Long-term debt	118	1,442
Total	¥170	$2,070

5. Notes to Consolidated Statement of Income:

(1) Selling, general and administrative expenses

The major components of "Selling, general and administrative expenses" are as follows:

Year ended March 31	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Freight charges	¥ 7,301	$ 88,901
Advertisement costs	15,902	193,626
Sales promotion costs	26,935	327,954
Salaries and bonuses	23,919	291,232
Provisions for bonuses to employees	2,640	32,145
Pension costs	2,083	25,368
Research and development expenditures	24,231	295,038

(2) Research and development expenditures

Research and development expenditures, which are charged to income when incurred, and are included in cost of sales and selling, general and administrative expenses, amounted to ¥24,231 million ($295,038 thousand) for the fiscal year ended March 31, 2012.

Year ended March 31	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Research and development expenditures	¥24,231	$295,038

(3) The breakdown of gain on sales and loss on disposal of fixed assets

Details of gain on sales of fixed assets are as follows:

Year ended March 31	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Buildings and structures	¥ 1	$ 17
Machinery, equipment and vehicles	3	36
Land	179	2,177
Others	3	40
Total	¥186	$2,271

Details of loss on disposal of fixed assets are as follows:

Year ended March 31	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Buildings and structures	¥112	$1,363
Machinery, equipment and vehicles	23	283
Software	40	488
Others	11	136
Total	¥186	$2,271

6. Notes to Consolidated Statement of Comprehensive Income:

Reclassification adjustments and tax effect relating to other comprehensive income for the fiscal year ended March 31, 2012, are as follows:

	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Net unrealized gains/losses on investment securities:		
Amount arising during the period	¥ (97)	$ (1,182)
Reclassification adjustment	3,668	44,664
Before tax effect adjustment	3,571	43,481
Tax effect	(778)	(9,472)
Net unrealized gains/losses on investment securities	2,793	34,010
Deferred gains/losses on hedges:		
Amount arising during the period	(334)	(4,070)
Adjustment of cost of asset acquisition	334	4,070
Reclassification adjustment	—	—
Before tax effect adjustment	—	—
Tax effect	—	—
Deferred gains/losses on hedges	—	—
Foreign currency translation adjustments:		
Amount arising during the period	(1,716)	(20,891)
Reclassification adjustment	—	—
Before tax effect adjustment	(1,716)	(20,891)
Tax effect	—	—
Foreign currency translation adjustments	(1,716)	(20,891)
Share of other comprehensive income of affiliates using accounted for using the equity method:		
Amount arising during the period	(12)	(148)
Reclassification adjustment	33	402
Share of other comprehensive income of affiliates accounted for using the equity method	21	253
Total other comprehensive income	¥ 1,098	$ 13,372

7. Notes to Consolidated Statement of Changes in Net Assets:

(1) Shares issued

March 31, 2012 Share type	Previous fiscal year-end (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Subject fiscal year-end (thousand shares)
Common stock	300,465	90,139*1	300,465*2	90,139

(2) Treasury stock

March 31, 2012 Share type	Previous fiscal year-end (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Subject fiscal year-end (thousand shares)
Common stock	24,664	9,755*3	24,664*4	9,755

*1 Shares issued increased due to the fact that Taisho Pharmaceutical Co., Ltd. issued 90,193 thousand shares when the Company was established through a sole share transfer.
*2 Shares issued decreased by 300,465 thousand shares due to the sole share transfer.
*3 Treasury stock increased by 7,404 thousand shares due to the sole share transfer. Treasury stock also increased due to the fact that Company bought shares as a result of the Board decision to purchase 2,339 thousand shares. In addition, the Company bought 10 thousand fractional shares which are less than thousand shares.
*4 Treasury stock decreased by 24,664 thousand shares due to the sole share transfer.

(3) Matters related to dividends

a) Amount of dividends paid:
Taisho Pharmaceutical Holdings Co., Ltd. is the wholly-owning parent company of Taisho Pharmaceutical Co., Ltd. and was established through a sole share transfer on October 3, 2011. Accordingly, the amount of dividends paid is approved by the wholly owned subsidiary's ordinary general meeting of shareholders and meeting of directors, as follows:

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividends per share (yen)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 29, 2011	Common stock (Taisho Pharmaceuticals Co., Ltd.)	4,140	15	March 31, 2011	June 30, 2011
Meeting of directors held on October 31, 2011	Common stock (Taisho Pharmaceuticals Co., Ltd.)	3,312	12	September 30, 2011	December 2, 2011

Resolution	Type of stock	Total amount of dividends (Thousands of U.S. dollars) (Note 1)	Dividends per share (U.S. dollars) (Note 1)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 29, 2011	Common stock (Taisho Pharmaceuticals Co., Ltd.)	50,410	0.18	March 31, 2011	June 30, 2011
Meeting of directors held on October 31, 2011	Common stock (Taisho Pharmaceuticals Co., Ltd.)	40,325	0.15	September 30, 2011	December 2, 2011

b) Of the dividends for which the date of record is in the fiscal year ended March 31, 2012, those dividends with effective date in the following consolidated fiscal year are as follows.

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividends per share (yen)	Date of record	Effective date	Fiscal resource of dividends
Ordinary general meeting of shareholders held on June 28, 2012	Common stock	4,022	50	March 31, 2012	June 29, 2012	Retained earnings

Resolution	Type of stock	Total amount of dividends (Thousands of U.S. dollars) (Note 1)	Dividends per share (U.S. dollars) (Note 1)	Date of record	Effective date	Fiscal resource of dividends
Ordinary general meeting of shareholders held on June 28, 2012	Common stock	48,976	0.61	March 31, 2012	June 29, 2012	Retained earnings

8. Notes to Consolidated Statement of Cash Flows:

(1) Cash and cash equivalents

Cash and cash equivalents at March 31, 2012 comprise the following:

	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Cash and time deposits with original maturity of three months or less	¥ 94,672	$1,152,715
Marketable securities	19,055	232,014
Sub total	113,728	1,384,729
Cash and time deposits with original maturity of more than three months	(10,204)	(124,246)
Marketable securities with original maturity of more than three months	(19,055)	(232,014)
Total	¥ 84,468	$1,028,469

(2) Assets and liabilities of newly consolidated subsidiary by acquisition of shares

Assets and liabilities of newly consolidated subsidiary by acquisition of shares at the inception of consolidation, related acquisition cost and net expenditure for acquisition of shares are as follows:

	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Current assets	¥ 2,050	$ 24,961
Fixed assets	5,310	64,651
Goodwill	5,555	67,641
Current liabilities	(911)	(11,089)
Long-term liabilities	(1,273)	(15,496)
Acquisition cost of shares	10,732	130,668
Cash and cash equivalents of the acquired company	(822)	(10,004)
Payment for acquisition of shares of newly consolidated subsidiary	¥ 9,910	$120,665

9. Finance Leases (Lessee):

Finance leases other than those which transfer ownership of properties to lessees

a) Types of lease asset:
Tangible fixed assets
Mainly information technology equipment

b) Depreciation method:
Please refer to Note 2. (3) Depreciation and amortization of major assets (c) lease assets.

Finance lease transactions that do not transfer ownership, of which the contract start date is prior to April 1, 2008, are accounted for as operating leases. Detailed notes for the fiscal year ended March 31, 2011 have been omitted as they are insignificant.

10. Financial Instruments:

(1) Status of financial instruments

a) Policy related to financial instruments:
The Company and consolidated subsidiaries invest only in short-term deposits and highly secure financial assets in accordance with the internal guideline for fund management. The Companies raise funds through borrowings from financial institutions including banks. The Companies do not enter into derivative transactions for speculative purposes.

b) Details of financial instruments, risks and risk management system:
Notes and accounts receivable—trade are exposed to customer credit risk. In order to mitigate the risk, the balances and status of these receivables are monitored and managed in accordance with the internal management regulations for credit risk.

Marketable securities and investment securities mainly consist of equity securities, corporate bonds and preferred equity securities. While these securities are exposed to market price fluctuation risk, the Company monitors market prices of these securities and financial conditions of the issuers periodically.

c) Supplementary explanation regarding the fair values of financial instruments:
The fair value of financial instruments is based on market values as well as reasonably determined values in situations where the market value is unavailable.

(2) Fair value of financial instruments

Amounts carried on the consolidated balance sheet, their fair values, and the differences between them are as follows:

	Millions of yen		
March 31, 2012	Carrying amount	Fair value	Variance
a) Cash and deposits	¥ 94,672	¥ 94,672	¥ —
b) Notes and accounts receivable—trade	78,663		
Allowance for doubtful accounts	(170)		
	78,493	78,493	—
c) Marketable securities			
Available-for-sale securities	19,055	19,055	—
d) Investment securities			
Available-for-sale securities	197,683	197,683	—
e) Investment securities in affiliates	8,213	5,240	(2,973)

	Thousands of U.S. dollars (Note 1)		
March 31, 2012	Carrying amount	Fair value	Variance
a) Cash and deposits	$1,152,715	$1,152,715	$ —
b) Notes and accounts receivable—trade	957,786		
Allowance for doubtful accounts	(2,069)		
	955,717	955,717	—
c) Marketable securities			
Available-for-sale securities	232,014	232,014	—
d) Investment securities			
Available-for-sale securities	2,406,954	2,406,954	—
e) Investment securities in affiliates	100,003	63,806	(36,197)

1. Method of calculating fair value of financial instruments and matters regarding securities
   a) Cash and deposits, and b) Notes and accounts receivable—trade (after deduction of amounts for allowance for doubtful accounts)
   As these instruments are settled within a short term and their fair values and carrying amounts are similar, their carrying amounts are assumed as their fair value.
   c) Marketable securities, d) Investment securities and e) Investment securities in affiliates
   The fair values of equity securities are determined by their market prices on stock exchanges. The fair values of bonds are determined according to market prices indicated on bond exchanges or the values indicated by financial institutions handling these transactions.

2. Financial instruments for which fair value is not readily determinable

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars (Note 1)
Category	2012	2012
Unlisted equity securities	¥ 422	$ 5,140
Investment securities in affiliates	38,932	474,031
Investment in limited partnerships	32	394

These instruments are not included as they have no market value, and their fair value is not readily determinable.

3. Redemption schedule for monetary assets and expected maturity values of securities

	Millions of yen			
March 31, 2012	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	¥32,918	¥ —	¥ —	¥—
Notes and accounts receivable—trade	78,663	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	19,000	60,000	84,000	—

	Thousands of U.S. dollars (Note 1)			
March 31, 2012	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	$400,808	$ —	$ —	$—
Notes and accounts receivable—trade	957,786	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	231,341	730,549	1,022,769	—

11. Marketable and Investment Securities:

The following information relates to the aggregate carrying amounts and fair value of securities at March 31, 2012.

(1) Available-for-sale securities

Available-for-sale securities whose fair value is readily determinable are recorded at fair value on the consolidated balance sheet as of March 31, 2012.

	Millions of yen		
March 31, 2012	Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
Securities whose carrying amounts on the consolidated balance sheet exceed their acquisition costs			
(1) Equity securities	¥ 29,855	¥ 22,701	¥ 7,155
(2) Corporate bonds	57,943	56,417	1,527
(3) Others	76,429	70,000	6,429
Sub total	164,228	149,117	15,111
Securities whose carrying amounts on the consolidated balance sheet do not exceed their acquisition costs			
(1) Equity securities	16,133	20,811	(4,678)
(2) Corporate bonds	36,377	36,809	(431)
(3) Others	—	—	—
Sub total	52,510	57,619	(5,109)
Total	¥216,738	¥206,737	¥10,002

	Thousands of U.S. dollars (Note 1)		
March 31, 2012	Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
Securities whose carrying amounts on the consolidated balance sheet exceed their acquisition costs			
(1) Equity securities	$ 363,515	$ 276,401	$ 87,114
(2) Corporate bonds	705,508	686,918	18,590
(3) Others	930,587	852,307	78,280
Sub total	1,999,610	1,815,626	183,984
Securities whose carrying amounts on the consolidated balance sheet do not exceed their acquisition costs			
(1) Equity securities	196,434	253,389	(56,956)
(2) Corporate bonds	442,925	448,174	(5,250)
(3) Others	—	—	—
Sub total	639,358	701,563	(62,205)
Total	$2,638,968	$2,517,190	$121,778

Available-for-sale securities whose fair value is readily determinable are recorded at fair value on the consolidated balance sheet at March 31, 2012.

For unlisted equity securities with a carrying amount of ¥422 million ($5,140 thousand) and investment in limited partnerships with a carrying amount of ¥32 million ($394 thousand), there is no quoted market price available and an inability to estimate the future cash flows. These instruments are not included in available-for-sale securities as their fair value is not readily determinable.

(2) Devaluation loss on investment securities

Devaluation loss on investment securities for the year ended March 31, 2012, totaled ¥3,668 million (¥3,668 million for available-for-sale securities).

Devaluation losses on securities are recognized if the fair value of securities as of the fiscal year-end declines more than 50% of their carrying amount.

12. Derivative Financial Instruments:

The Companies utilize derivative financial instruments selectively, to hedge foreign exchange risk and floating interest exchange risk.

13. Pension and Severance Plans:

The funded status as at March 31, 2012 was as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2012	2012
(1) Projected benefit obligation	¥(47,240)	$(575,181)
(2) Fair value of plan assets	32,031	389,999
(3) Unfunded benefit obligation (1)+(2)	(15,209)	(185,183)
(4) Unrecognized prior service cost	(3,358)	(40,886)
(5) Unrecognized actuarial gain/loss	5,313	64,689
(6) Net liability (3)+(4)+(5)	(13,254)	(161,380)
(7) Prepaid pension expenses	4,335	52,788
(8) Accrued retirement benefits (6)–(7)	¥(17,590)	$(214,167)

The components of net retirement costs for the fiscal year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2012	2012
(1) Service costs	¥2,216	$26,984
(2) Interest costs	981	11,948
(3) Expected return on plan assets	(743)	(9,051)
(4) Amortization of prior service costs	(370)	(4,508)
(5) Amortization of actuarial gain/loss	527	6,412
(6) Retirement costs (1)+(2)+(3)+(4)+(5)	2,611	31,786
(7) Others*	573	6,979
Total (6)+(7)	¥3,184	$38,764

* The payment amounts for defined contribution plan.

Assumptions used for the year ended March 31, 2012 were as follows:

	2012
Discount rate	2.0%
Expected return on plan assets	2.5%
Method of attributing the projected benefits to periods of service	Straight-line basis
Period for amortization of prior service cost	15–17 years
Period for amortization of actuarial gain/loss	14–17 years

14. Income Taxes:

1. The significant components of deferred tax assets and liabilities as of March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2012	2012
Deferred tax assets:		
Enterprise taxes	¥ 528	$ 6,431
Accrued expenses	2,579	31,402
Research expenses, etc.	3,514	42,791
Accrued bonuses	1,672	20,360
Accrued employees retirement benefits	5,995	72,999
Accrued retirement benefits for directors, statutory auditors and executive officers	546	6,645
Prepaid research expenses	3,130	38,113
Evaluation loss on investment securities	1,648	20,065
Valuation difference on available-for-sale securities	1,819	22,149
Operating loss carry forwards for tax purposes	573	6,979
Others	4,372	53,227
Gross deferred tax assets	26,377	321,160
Less: Valuation allowance	(2,703)	(32,913)
Total deferred tax assets	23,674	288,246
Deferred tax liabilities:		
Net unrealized gains on securities	(5,207)	(63,395)
Deferred gain on sales of real property	(2,104)	(25,622)
Prepaid pension expenses	(1,539)	(18,740)
Undistributed earnings of overseas subsidiaries and affiliates	(411)	(4,999)
Others	(1,138)	(13,853)
Total deferred tax liabilities	(10,398)	(126,608)
Net deferred tax assets	¥ 13,275	$ 161,638

2. The tax rate reconciliations for the fiscal years ended March 31, 2012 are as follows:

Due to the difference between the statutory tax rate and the effective tax rate of less than 5%, the tax rate reconciliation has been omitted for the year ended March 31, 2012.

3. Adjustment of deferred tax assets and deferred tax liabilities due to change in effective statutory tax rate;

Following the introduction on December 2, 2011 of “the Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures and the Act on Special Measures for Securing Financial Recourses Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake,” the effective statutory tax rate used to calculate deferred tax assets and liabilities expected to be reversed was reduced from 40.4% in the previous fiscal year to 38.2% for the temporary differences expected to be reversed in the fiscal year starting on or after April 1, 2012 through the fiscal year ending on March 31, 2015, and 35.6% for the temporary differences expected to be reversed in the fiscal years starting on or after April 1, 2015.

As a result, deferred tax liabilities (net of the amount of deferred tax assets) decreased by JPY 1,219 million ($14,836 thousand), net unrealized gains on securities and income taxes-deferred increased by JPY 477 million ($5,812 thousand) and JPY 1,695 million ($20,648 thousand), respectively.

15. Business combinations

Transactions between entities under common control

1. Outline of transactions

Taisho Pharmaceutical Holdings Co., Ltd. was incorporated as a holding company on October 3, 2011 following resolutions by the board of directors of Taisho Pharmaceutical Co., Ltd. on May 13, 2011 and the ordinary general meeting of shareholders on June 29, 2011 to incorporate the company through a sole share transfer.

1) Name of company conducting business combination and business activities

Name: Taisho Pharmaceutical Co., Ltd.
Business activities: Research, development, manufacture and sale of OTC drugs, quasi drug products, foods, prescription drugs and other products

2) Date of business combination

October 3, 2011

3) Legal format of business combination

Incorporation of Holding Company through Sole Share Transfer

4) Name of company after business combination

Taisho Pharmaceutical Holdings Co., Ltd.

5) Purpose of business combination

The Company has decided that, in order to continue to achieve sustainable growth in the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group, it is necessary to establish a group structure that will enable it to distribute the management resources of its corporate group effectively and to strengthen its competitiveness. The Company therefore resolved to move to a holding company-structure.

2. Outline of accounting treatment applied

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008), it has been accounted for as a transaction between entities under common control.

16. Segment Information:

1. Outline of reporting segments

The Taisho Pharmaceutical Holdings Group’s reporting segments are the components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company’s Board of Directors to decide how to allocate resources and assess performance.

The Group’s reporting segments are the Self-Medication Operation Group and the Prescription Drug Operation Group. This classification is based on the differences in sales methods for over-the-counter (OTC) drugs and ethical drugs and the difference in the degree of business risk associated with the R&D expense burden in each segment.

The Self-Medication Operation Group conducts R&D, manufacturing and sales of OTC drugs, Foods for Specified Health Use, food, and general medical and hygiene supplies.

The Prescription Drug Operation Group conducts R&D, manufacturing and sales of ethical drugs.

Real estate leasing and facility management, and hotel management operations are included in the Self-Medication Operation Group due to their insignificance.

2. Method for calculating sales, income and loss, assets and liabilities, and other items by reporting segment

The total amounts for each line item of the reporting segments correspond to the amounts reported on the consolidated balance sheet and consolidated statement of income.

The accounting treatment methods for the reporting segments are consistent with the accounting treatment methods described in the Notes to the Consolidated Financial Statements.

Segment income for each reporting segment is presented on an operating income basis.

3. Information on sales, income and loss, assets and liabilities, and other items by reporting segment

	Millions of yen				
March 31, 2012	Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	¥166,467	¥104,763	¥271,231	¥ —	¥271,231
(2) Inter-segment	—	—	—	—	—
Total	166,467	104,763	271,231	—	271,231
Segment income*2	35,565	3,557	39,122	(709)	38,413
Segment assets	234,246	153,948	388,193	¥241,313	629,506
Other items					
Depreciation*3	8,702	2,540	11,242	—	11,242
Amortization of goodwill	836	—	836	—	836
Investment in equity-method affiliates	8,251	38,895	47,145	—	47,145
Tangible and intangible fixed assets*4	14,116	3,724	17,840	—	17,840

	Thousands of U.S. dollars (Note 1)				
March 31, 2012	Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	$2,026,873	$1,275,581	$3,302,455	$ —	$3,302,455
(2) Inter-segment	—	—	—	—	—
Total	2,026,873	1,275,581	3,302,455	—	3,302,455
Segment income*2	433,034	43,310	476,345	(8,636)	467,708
Segment assets	2,852,132	1,874,441	4,726,573	2,938,182	7,664,755
Other items					
Depreciation*3	105,953	30,930	136,883	—	136,883
Amortization of goodwill	10,183	—	10,183	—	10,183
Investment in equity-method affiliates	100,457	473,576	574,033	—	574,033
Tangible and intangible fixed assets*4	171,878	45,343	217,221	—	217,221

*1. The Other segment is a business segment that is not affiliated with any reporting segment, and primarily consists of the Company's (pure holding company) operations.
*2. Segment income matches operating income in the consolidated financial statements.
*3. Depreciation includes amortization of long-term prepaid expenses.
*4. The increase in tangible and intangible fixed assets includes the increase in long-term prepaid expenses.

[Related information]

1. Information by product and service

Information by product and service has been omitted as it is same as the reporting segments.

2. Information by geographic region

(1) Sales
Information by geographic region has been omitted as sales to external customers in Japan are more than 90% of net sales reported on the consolidated statement of income.
(2) Tangible fixed assets
The Company has omitted disclosure here because tangible fixed assets in Japan account for more than 90% of the amount of tangible fixed assets reported on the consolidated balance sheet.

3. Information by major customer

Information by major customer has been omitted as sales to any specific external customer are less than 10% of net sales reported on the consolidated statement of income.

[Information on impairment on fixed assets by reporting segments' fixed assets]

Not applicable.

[Information on amortization and unamortized balance of goodwill by reporting segment]

	Millions of yen			
March 31, 2012	Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	¥ 836	—	—	¥ 836
Unamortized balance of goodwill	17,731	—	—	17,731

	Thousands of U.S. dollars (Note 1)			
March 31, 2012	Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	$ 10,183	—	—	$ 10,183
Unamortized balance of goodwill	215,895	—	—	215,895

[Information on gains on negative goodwill by reporting segment]

Not applicable.

17. Related Party Transactions:

For the year ended March 31, 2012:

(1) Related transaction with the non-consolidated subsidiaries and affiliated companies

Name	Location	Capital	Shares with voting rights owned by Company in related party/(owned by related party in Company)	Transactions	Amounts (Millions of yen)	Amounts (Thousands of U.S. dollars) (Note 1)	Closing balances	Amounts (Millions of yen)	Amounts (Thousands of U.S. dollars) (Note 1)
Toyama Chemical Co., Ltd.	Shinjyuku ward, Tokyo	¥10,000 million	34.0%	Product purchases*2	¥26,136	$318,231	Accounts payable	¥16,065	$195,607

*1. Consumption taxes are excluded from transaction amounts but are included in the closing balances.

*2. Transaction conditions and policy on determination of transaction conditions. The purchase price is determined with reference to third-party selling prices.

(2) Related transaction with Directors and individual shareholders

Name	Location	Capital	Shares with voting rights owned by Company in related party/(owned by related party in Company)	Transactions	Amounts (Millions of yen)	Amounts (Thousands of U.S. dollars) (Note 1)	Closing balances	Amounts (Millions of yen)	Amounts (Thousands of U.S. dollars) (Note 1)
Taisei Co., Ltd.*3	Toshima ward, Tokyo	¥100 million	(1.35%)	Other income*2	¥27	$329	Other assets	¥1	$10

*1. Consumption taxes are excluded from transaction amounts but are included in the closing balances.

*2. Transaction conditions and policy on determination of transaction conditions. They are determined in the same way as the terms and conditions of ordinary transactions.

*3. Akira Uehara, a corporate officer of Taisho Pharmaceutical Holdings Co., Ltd., and his relatives directly own 100% of the shares with voting rights.

18. Per Share Information:

The computation of net income per share is based on the weighted-average number of common shares outstanding during each fiscal year. Treasury stocks held during these periods are excluded. As the Company had no diluted securities as at March 31, 2012, the Company does not disclose amounts of diluted net income per share for the year ended March 31, 2012.

	Yen	U.S. dollars (Note 1)
March 31	2012	2012
Net assets per share	¥6,560.67	$79.88
Net income per share	296.20	3.61

Basic net income per share

	Millions of yen	Thousands of U.S. dollars (Note 1)
March 31	2012	2012
Net income	¥24,358	$296,573
Net income available to common shareholders	24,358	296,573
Weighted-average number of shares outstanding (thousand shares)	82,232	82,232

19. Subsequent Events:

(Conversion of TOKUHON Corporation into a wholly owned subsidiary)

Taisho Pharmaceutical Holdings Co., Ltd. (the "Company"), Taisho Pharmaceutical Co., Ltd. ("Taisho"), a wholly owned subsidiary of the "Company," and TOKUHON Corporation ("TOKUHON") have resolved at their respective board of directors meetings held on April 27, 2012 to make TOKUHON a wholly owned subsidiary of Taisho through a share exchange (the "Share Exchange"), with the common shares of the Company as consideration and Taisho as the wholly-owning parent and TOKUHON as the wholly owned subsidiary in the Share Exchange. The Share Exchange will be conducted pursuant to an agreement to exchange shares that has been executed between Taisho and TOKUHON.

The Share Exchange falls under a case in which approval of the general meeting of shareholders of the wholly-owing parent is not required (share exchange) pursuant to the provisions of Article 796 (3) of the Companies Act. The Share Exchange is subject to approval by the extraordinary meeting of shareholders of TOKUHON scheduled to be held on June 1, 2012.

An overview of the Share Exchange is as follows:

(1) Purpose of Share Exchange

Through the Share Exchange, the Taisho Pharmaceutical Holdings Group will make efforts to further increase enterprise value in both OTC drugs and Prescription drugs in the future by utilizing the "TOKUHON" brand, which is time-honored and proven in the topical product market for domestic OTC drugs, and various technologies related to plaster, such as the Transdermal Therapeutics System, and reinforcing collaboration in research and development.

(2) Effective date of the Share Exchange

July 2, 2012 (tentative)

(3) Method of the Share Exchange

By operation of the Share Exchange, Taisho will be a wholly-owning parent and TOKUHON will be a wholly owned subsidiary. The shares of common stock of the Company, Taisho's wholly-owing parent, will be allotted to the shareholders of TOKUHON as consideration in the Share Exchange.

(4) Share Allotment Ratios

Taisho will allot 0.12 shares of common stock of the Company per share of common stock of TOKUHON.

Taisho plans to acquire common stock of the Company by subscribing to treasury stock disposed by the Company.

(5) Basis for Calculation of the Share Exchange

In order to achieve fairness and appropriateness in the share exchange ratios used for the Share Exchange, it was decided that the Company and TOKUHON would each invite a financial advisor to perform the calculation. The Company selected SMBC Nikko Securities Inc. ("SMBC Nikko") and TOKUHON selected A.G.S. Consulting Co., Ltd. ("A.G.S.") to perform such calculation, and progressed with consultations.

Based on the financial condition and other factors reported by the above financial advisors, Taisho and TOKUHON conducted a series of discussions and negotiations. As a result, they reached a conclusion and adopted the share exchange ratio by resolution of the board of directors of each company.

(6) Overview of Parties to the Share Exchange

(1) Name	Taisho Pharmaceutical Co., Ltd. (Wholly-Owning Parent in Share Exchange)	TOKUHON Corporation (Wholly Owned Subsidiary in Share Exchange)
(2) Address	Toshima-ku, Tokyo	Minato-ku, Tokyo
(3) Primary Business	Manufacture and sale of over-the-counter (OTC) drugs, foods, and other goods, etc. and manufacture and sale of prescription drugs	Development, manufacture and marketing of drugs and quasi drugs
(4) Capitalization	¥29,804 million ($362,894 thousand)	¥300 million ($3,653 thousand)
(5) Date of Establishment	May 5, 1928	September 30, 1948
(6) Total Number of Shares Issued and Outstanding	300,465,510 shares	6,000,000 shares

(7) Outline of Accounting Treatment

The Share Exchange is expected to be accounted for as an acquisition under the Accounting Standard for Business Combinations. It is expected that goodwill (or negative goodwill) will be generated in the consolidated financial statements of the Company in association with the Share Exchange, but at present, no determination has been made as to the amount of goodwill (or negative goodwill) that will be generated.

(Introduction of Stock Options (Stock Acquisition Rights) for a Stock-Linked Compensation Plan)

The Company resolved at its board of directors meeting held on June 28, 2012 to issue subscription rights to shares as stock-based compensation stock options for the directors, executive officers and other officers of the Company and Taisho Pharmaceutical Co., Ltd., a subsidiary of the Company. These subscription rights to shares as stock-based compensation stock options will be issued based on Articles 236, 238 and 240 of the Companies Act.

20. Schedule of Borrowings:

	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012	Average interest rate (%)	Due date of payment
Short-term loans	¥612	$ 7,446	2.92%	—
Current portion of long-term loans	23	284	4.28%	—
Current portion of lease obligations	174	2,125	—	—
Long-term loans (without current portion)	118	1,442	4.28%	From 2013 to 2018
Lease obligations (without current portion)	57	700	—	From 2013 to 2016
Other	—	—	—	—
Total	¥985	$11,996	—	—

(1) “Average interest rate” represents the weighted average interest rate against the term-end balance of borrowings.
(2) As interest is included in the lease payment and is allocated on the straight-line method to each fiscal year, average interest rate of lease obligations is omitted.
(3) The projected repayment amount of long-term debt (excluding debt scheduled to be repaid within one year) within five years after the consolidated balance sheet date (i.e. March 31, 2012) is as follows.

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	Due after one year, within two years	Due after two years within three years	Due after three years within four years	Due after four years, within five years	Due after one year, within two years	Due after two years within three years	Due after three years within four years	Due after four years, within five years
Long-term loans	¥23	¥23	¥23	¥23	$284	$284	$284	$284
Lease obligations	41	10	7	—	496	120	84	—

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Independent Auditor's Report

To the Board of Directors of Taisho Pharmaceutical Holdings Co., Ltd.

We have audited the accompanying consolidated financial statements of Taisho Pharmaceutical Holdings Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

July 20, 2012

PricewaterhouseCoopers Aarata
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Major Subsidiaries and Affiliates

(As of July 31, 2012)

Name	Location	Capitalization/ Amount Invested	Business Area	Percentage of voting rights held
Subsidiaries				
Domestic				
Taisho Pharmaceutical Co., Ltd.	Tokyo, Japan	JPY 29,804,450,000	Research, development, manufacture and sales of OTC drugs, prescription pharmaceuticals, quasi-drugs, foods and other products	100%
Taisho Okinawa Co., Ltd.	Okinawa, Japan	JPY 50,000,000	Sales of Taisho Pharmaceutical products in Okinawa Prefecture	100%
Taisho M.T.C. Co., Ltd.	Tokyo, Japan	JPY 400,000,000	Manufacture and sales of raw materials for medicines and quasi-drugs	60%
Taisho Pharmaceutical Logistics Co., Ltd.	Saitama, Japan	JPY 30,000,000	Management and operation of transport services for Taisho Pharmaceutical Group	100%
Biofermin Pharmaceutical Co., Ltd.	Hyogo, Japan	JPY 1,227,000,000	Manufacture and sales of OTC products and prescription pharmaceuticals	55.8%
Taisho Toyama Pharmaceutical Co., Ltd.	Tokyo, Japan	JPY 2,000,000,000	Sales of prescription pharmaceuticals	70.3%
MEJIRO KOSAN Co., Ltd.	Tokyo, Japan	JPY 600,000,000	Leasing, maintenance, management, possession and operation of real estate, and provision of employee welfare and benefit services, etc.	100%
TAISHO ACTIVE HEALTH Co., Ltd.	Tokyo, Japan	JPY 100,000,000	Supply of health foods, quasi-drugs and skin care products	55%
TOKUHON Corporation	Tokyo, Japan	JPY 300,000,000	Development, manufacture and sales of pharmaceuticals, quasi-drugs and other products	100%
Overseas				
Taisho Pharmaceutical (Taiwan) Co., Ltd.	Taipei, Taiwan	TWD 200,000,000	Manufacture (commissioned) and sales of energy drinks and pharmaceuticals in Taiwan	100%
Taisho Pharmaceutical California Inc.	California, U.S.A.	USD 41,050,000	Manufacture (commissioned) and sales of energy drinks in the United States	100%
Taisho Pharmaceutical (M) SDN. BHD.	Selangor, Malaysia	MYR 24,380,000	Manufacture and sales of energy drinks in Malaysia	100%
Taisho Pharmaceuticals (Philippines), Inc.	Makati, Philippines	PHP 18,900,000	Manufacture (commissioned) and sales of energy drinks and OTC drugs in the Philippines	100%
PT. Taisho Indonesia	Jakarta, Indonesia	IDR 42,920,000,000	Manufacture (commissioned) and sales of energy drinks in Indonesia	100%
Taisho Co., Ltd. Shanghai	Shanghai, China	CNY 132,621,000	Manufacture and sales of energy drinks in China	100%
Taisho Vietnam Co., Ltd.	Khanh Hoa Prov. Vietnam	VND 170,754,300,000	Manufacture and sales of energy drinks in Vietnam	100%
Taisho Pharmaceutical (H.K.) Ltd.	Hong Kong, China	HKD 163,000,000	Sales of energy drinks in Hong Kong	100%
Osotspa Taisho Co., Ltd.	Bangkok, Thailand	THB 15,000,000	Sales of energy drinks in Thailand	49%
Taisho Pharmaceutical R&D Inc.	New Jersey, U.S.A.	USD 4,000,000	Development of prescription pharmaceuticals	100%
PT. Taisho Pharmaceutical Indonesia Tbk	Jakarta, Indonesia	IDR 10,240,000,000	Manufacture and sales of pharmaceutical products in Indonesia	98.1%
Taisho Pharmaceutical Singapore Private Limited	Singapore	USD 1,000,000	Integration of pharmaceutical products for the Asian market	100%
Hoepharma Holdings Sdn. Bhd.	Kuala Lumpur, Malaysia	MYR 8,000,000	Manufacture and sales of pharmaceutical products for Asian and other markets	100%
Compañía Internacional de Comercio, S.A.P.I. de C.V.	Mexico City, Mexico	MXN 55,400,000*1	Manufacture and sales of OTC drugs in Mexico	100%
Affiliates				
Domestic				
Toyama Chemical Co., Ltd.	Tokyo, Japan	JPY 10,000,000,000	Development, manufacture and sales of prescription pharmaceuticals	34%
Yomeishu Seizo Co., Ltd.	Tokyo, Japan	JPY 1,650,000,000	Manufacture and sales of herbal liqueurs and other products	22.1%

* Percentage of voting rights held includes indirect voting rights held.
*1 As of December 31, 2011

Corporate Data

(As of June 29, 2012)

Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.

Date of Foundation: October 3, 2011

Paid-in Capital: ¥30,000 million

Number of Employees: 6,003 (As of March 31, 2012)

Home Page: http://www.taisho-holdings.co.jp/

Board of Directors:

Chairman and CEO
Akira Uehara*

Vice Chairman
Akira Ohira

Executive Vice Presidents
Hisataka Hotta*
Shigeru Uehara

Managing Directors
Akihito Sakai
Ken Uehara

Executive Directors
Kiyomi Chuurei
Jun-ichi Fukudome
Ken-ichi Fujita
Toshio Morikawa**
Akemichi Baba**

Corporate Auditors:

Shigeo Morimoto
Kyuji Kobayashi
Hiroyuki Uemura***
Isao Yoshikawa***

* Representative Director
** Outside director as stipulated by Article 2.15 of the Corporate Law
*** Outside auditor as stipulated by Article 2.16 of the Corporate Law

Directory:

Headquarters
3-24-1, Takada, Toshima-ku, Tokyo 170-8655, Japan
Telephone: 81-3-3985-2020
Facsimile: Public Relations Section: 81-3-3985-6485

Major Group Companies:

Taisho Pharmaceutical Co., Ltd.	Headoffice and Branches	Tokyo Head Office, Sapporo, Sendai, Nagoya, Osaka, Kanazawa, Hiroshima, Shikoku, Fukuoka
	Factories and Laboratory	The Omiya Factory / Research Center, The Okayama Factory, The Hanyu Factory
Taisho Toyama Pharmaceutical Co., Ltd.	Headoffice and Branches	Tokyo Head Office, Sendai, Nagoya, Osaka, Hiroshima, Fukuoka
Biofermin Pharmaceutical Co., Ltd.	Headoffice and Branches	Hyogo Head Office, Tokyo, Sapporo, Nagoya, Fukuoka
	Factory and Laboratory	The Kobe Factory / Research Center
TOKUHON Corporation	Headoffice and Branches	Tokyo Head Office, Osaka, Nagoya
	Factory and Laboratory	The Saitama Factory / Research Center

Investor Information

(As of March 31, 2012)

Common Stock:

Authorized: 360,000,000

Issued: 90,139,653

Number of Shareholders: 32,450

General Meeting of Shareholders: Held annually in June

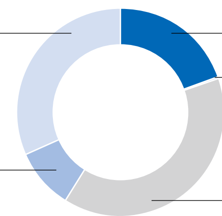
Listing: Tokyo Stock Exchange

Ticker Symbol Number: 4581

Stock Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation
7-10-11, Higashisuna,
Koto-ku,
Tokyo 137-8081, Japan

Headquarters: 3-24-1, Takada,
Toshima-ku,
Tokyo 170-8655, Japan

Distribution of Shareholders

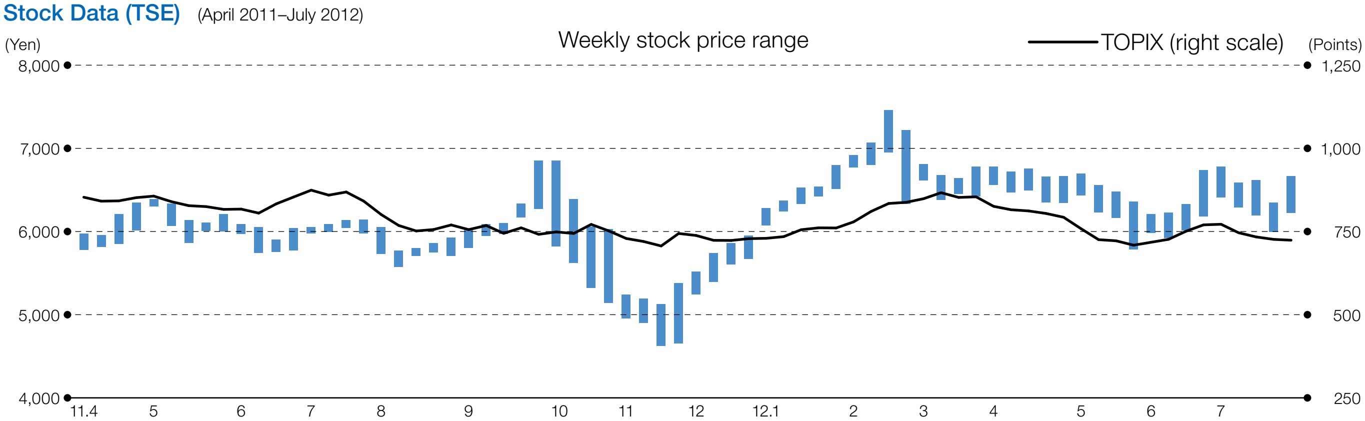


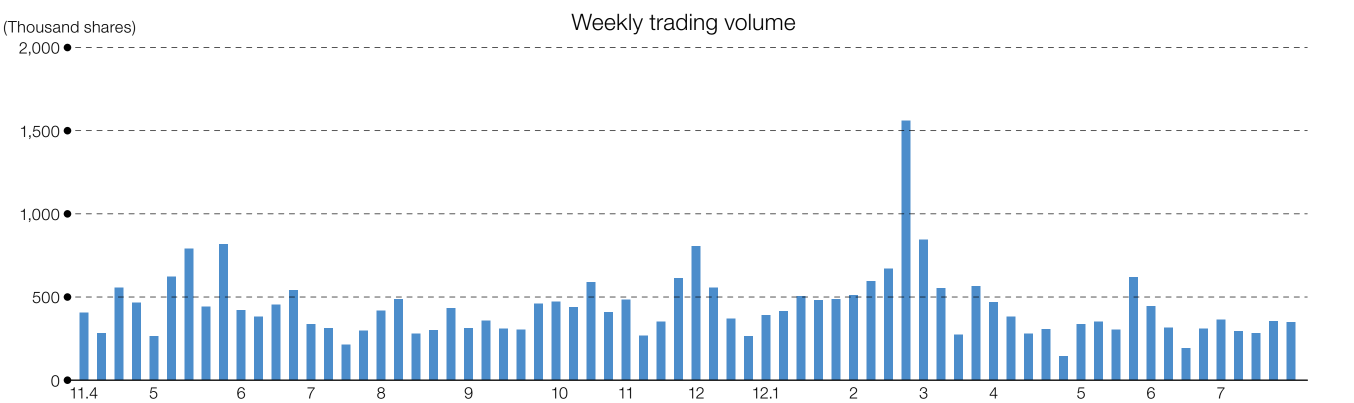
Major Shareholders

	Number of Voting Rights (Thousands)	Percentage of Voting Rights* (%)
The Uehara Memorial Foundation	12,900	16.04
Shoji Uehara	10,489	13.04
Sumitomo Mitsui Banking Corporation	3,000	3.73
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	3.73
Uehara Museum of Modern Art Foundation	3,000	3.73
Akira Uehara	2,143	2.66
Sumitomo Chemical Co., Ltd.	2,109	2.62
Kajima Corporation	1,650	2.05
Japan Trustee Services Bank, Ltd. (trust account)	1,597	1.99
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. Retrust Account / Sumitomo Chemical Company, Limited Employee Pension Trust Account)	1,530	1.90

Number of voting rights (shares) is rounded down to the nearest 1,000.
Excluding treasury stock (9,691 thousand shares)
* Calculated excluding treasury stock (9,691 thousand shares)

Stock Data (TSE) (April 2011–July 2012)





When incorporating Taisho Pharmaceutical Holdings Co., Ltd. on October 3, 2011, the Company conducted a sole-share transfer in which 0.3 of a share of the common stock of Taisho Pharmaceutical Holdings Co., Ltd. was allocated per share of the common stock of Taisho Pharmaceutical Co., Ltd. Figures for the period from April through September 2011 are presented on a converted basis.

TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.

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